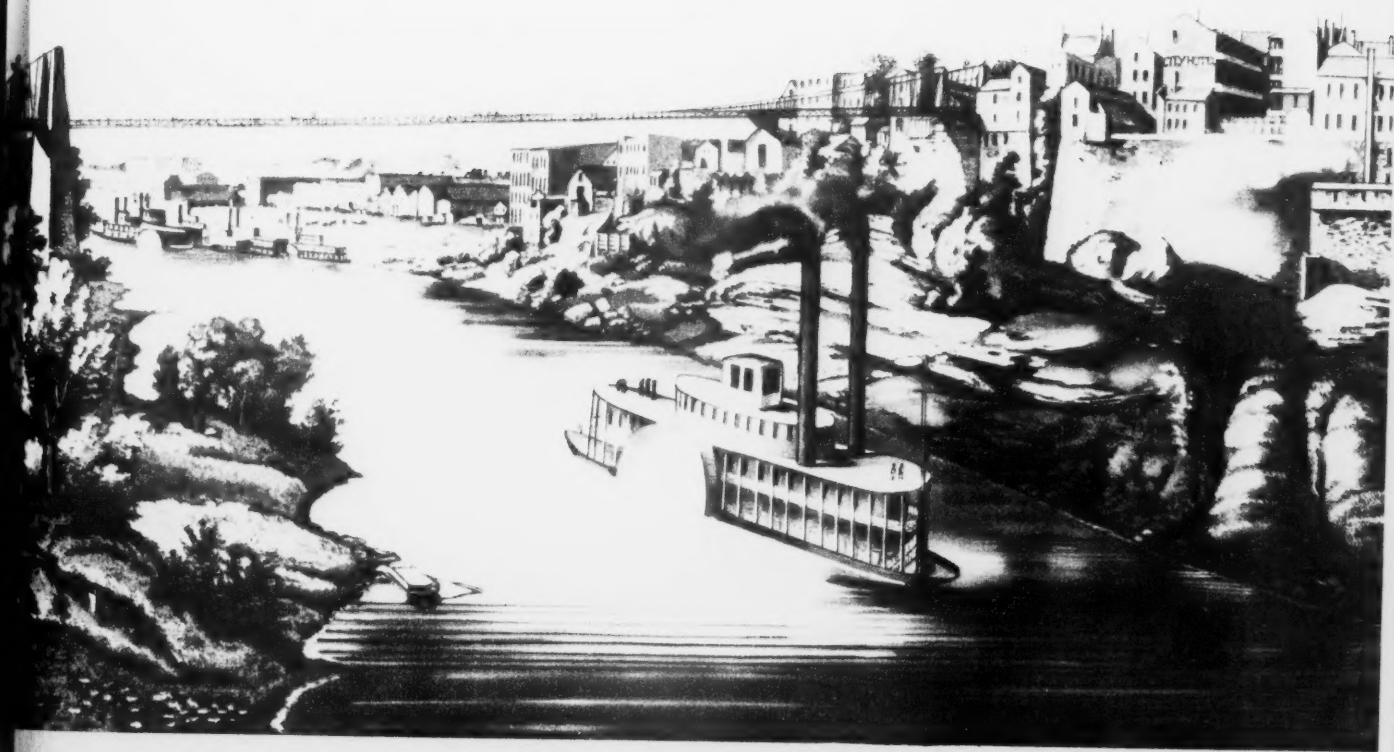


DUN'S REVIEW



XXXI of a series of Century old cities - Nashville

Published by
DUN & BRADSTREET, INC.
ESTABLISHED 1841

Thirty five cents

August 1939



This Month's Cover **NASHVILLE**

A lithograph done by an unknown artist, the view reproduced on the front cover is of Nashville, Tenn., as it appeared from across the Cumberland River in about 1850. The large building at the extreme right is the Southern Methodist Publishing House, no longer standing. The City Hotel, shown at the right, was one of the popular Southern hotels of the period. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . Near a natural salt spring, the Great Salt Lick, colonist James Robertson established in 1780 Fort Nashborough, the settlement which was to become Nashville. The fort was named in honor of Gen. Francis Nash, Revolutionary soldier of North Carolina. Later Robertson was joined by John Donelson, who brought a second party of settlers by water, by way of the Tennessee, Ohio, and Cumberland Rivers. In 1784 the community was incorporated as a town by the North Carolina legislature. After Tennessee's admittance to statehood, Nashville was chartered as a city in 1806; it became the State capital in 1843. In 1862 it was occupied by Federal troops, and during the remainder of the Civil War many great battles were fought in its vicinity. . . . Nashville today (aerial view above) is a city of 165,000, important in commerce and industry. In its 275 industrial establishments are made scores of products ranging from tiny scientific instruments to massive steel barges. The output of Nashville plants exceeds \$100,000,000 annually; retail trade averages about \$90,000,000 and wholesale trade more than \$120,000,000 a year. The city lies in a notable farming section and is surrounded by hills rich in timber and minerals. Many public buildings of Grecian architecture have earned it the name "Athens of the South."



JULY WHEAT—PHOTO BY SNIDER—TRIANGLE

DUN'S REVIEW
for
AUGUST, 1939



Nashville - - - - -	Cover	The Business Diary—June, 1939 - - - - -	27
Frontispiece—Wharf in Nantucket Harbor - 4		The Trend of Business - - - - -	28
Business Must State Its Case - - - - - 5		<i>Substantial gains in June in industrial activity and generally in trade volume are continued into July.</i>	
<p>HOWARD COONLEY Chairman, The Walworth Company President, National Association of Manufacturers <i>A leader among industrialists writes of what he considers most important to business.</i></p>		Trade Volume Varies Little - - - - -	30
		<i>U. S. index for June down slightly; regional indexes (May) give Detroit largest gain over year ago.</i>	
Taxes Paid by Business Compared with Value of Services Rendered - - - - - 9		Analyzing the Record of Industrial and Commercial Failures - - - - -	36
<p>A DUN & BRADSTREET SURVEY <i>Business taxes compared with "value added to manufactures" and in trade with gross margins.</i></p>		Significant Business Indicators - - - - -	39
Words and the Man of Business - - - - - 19		Through the Statistician's Eyes - - - - -	40
<p>ARTHUR H. LITTLE Contributing Editor, Printer's Ink <i>An advertising writer's slant on business correspondence and mossy worded annual reports.</i></p>		Here and There in Business - - - - -	42
Lumber for the World; Active Dollars for the Northwest - - - - - 22		Business Books - - - - -	47
<p>W. H. BERRY Manager of the City Department Seattle Office, DUN & BRADSTREET, INC. <i>The products of Northwestern forest preserves put jam on many American workers' daily bread.</i></p>		Over the Editor's Desk - - - - -	48
		Vacations Are Important! - - - - -	50
		<p>WILLARD L. THORP Editor of DUN'S REVIEW</p>	

¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate

French mat 13½ x 14¼ inches ready for framing the charge is \$1. For prints mounted and framed, with glass, the charge is \$3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Charles Phelps Cushing.





TURNING METAL—ATLAS

BUSINESS MUST STATE ITS CASE

HOWARD COONLEY

*Chairman, The Walworth Company
President, National Association of Manufacturers*

RECENTLY a friend of mine was asked by a business associate to describe what he thought was industry's job Number One.

"Stating its case," he replied. And I agree.

For the vital need today is for business to state its case, and restate its case, until every American knows and understands it.

Now my friend's associate probably thought he was evading the issue when he gave him the answer. Undoubtedly he thought a better reply would have been: "Give more jobs by increasing sales and speeding production." Perhaps that is right. Nevertheless, I maintain that industry cannot create more jobs by lifting sales or increasing production until industry itself is fully understood by the public which it serves.

The grave problems which confront business today have arisen largely through neglect—neglect by business to make itself understood. We are concerned about taxes and Government competition, about labor

Here a man of acknowledged leadership among American industrialists tells what he thinks is their most important job—to make the public more keenly aware of the new type of business man, the new concepts of responsibility, and the interdependence of workers, managers, investors, and consumers. This series presents opinions of men whose backgrounds have created decided, often conflicting, convictions.

and consumer movements, about inflation and war scares, about everything else except the most important factor—public misunderstanding.

Yet public understanding of fundamentals of

our private enterprise system is one of the vital factors which may hold the key to recovery. If business and business men generally would face this problem of telling the facts of business to the public, there is no doubt that much of the public suspicion and distrust which is reflected in proposals of quack remedies, attacks on industry, and attempts at restrictive legislation would be dissolved by the spotlight of truth and replaced by a wave of public support and approval of business principles.

We business men have a wonderful story to tell. And it is a story that needs telling. We must lay the ghost of the business "tyrant" once and for all, and make certain that this ghost will never walk again

to haunt the corridors of our national thought. We must make sure that Government, reflecting the mandate of the people, understands the facts about business and analyzes the causes of depression before it takes further action which may retard, instead of speed, recovery.

Perhaps the first thing we can do is to analyze our-

of a lawyer, and the impartial attitude of a judge. And on top of this, he must have—like his father and his grandfather—up-to-date knowledge of production methods.

Business heads today, therefore, must be thoroughly rounded executives: the times demand it. They must be fully informed on the technical aspects of their business. And at the same time, they must be in tune with social and economic trends. All these abilities are essential to the business executive of the present day.

Does the public recognize these qualities? Does the public appreciate their significance? Does the public give a mandate to Government to take them into consideration when its officials draft legislation affecting industry or conduct "monopoly" hearings? Obviously, the answer is "No."

A first job of business, then, in stating its case is: Tell the public what manner of men are running the nation's industries!

What is the next step—a step that is even more important?

Tell the public what business and business men mean to the nation in terms of jobs and payrolls and security. Put particular emphasis on what a given industrial enterprise means to the community in which it operates. Show what it contributes not only in jobs and payrolls but in the provision of education facilities and cultural advantages.

Perhaps the greatest source of public misunderstanding today is the failure to realize the interdependence between business and the public. Many worthy citizens think of the public as one group and business as another. They draw a mental picture of business men as aloof "tycoons" who control vast industries with full autocratic power, supreme in their own realm.

Some citizens do not take into consideration the fact that they themselves are the bosses of American industry. Their wishes and their desires are the ruling forces in business. With their support or their opposition they can make or break an industry. Business is dependent on them, and on them alone.

At the same time, the public is dependent on business. Industry is the initial source of jobs and payrolls. The goods and services that industry produces are responsible for the high level of our standard of living. Just



MAKING UP THE PAYROLL—EWING GALLOWAY

selves. What type of executive is the business man of today?

Industrialists of the last century were largely production experts. They knew how to produce goods; some even knew how to sell them. But most of them thought that if they made the best product on the market, the public "would beat a path to their door." In many cases their attitude was "the public be damned."

Consider the qualifications required of today's executive. He must be a scientific specialist. He must plan ahead with the vision of an engineer. He must estimate prospective income with the exactness of a CPA. He must be as receptive of technological developments as a research student. He must know as much about the broad aspects of finance as a banker. He must have the instincts of a teacher, the legal mind

as business depends on the public for its support, so does the public depend on business for its necessities and its luxuries.

And to drive home this point still farther, who is "the public," after all? Is "the public" a group of our friends and neighbors who are separate from our associates in business, our workers, our stockholders, or our consumers? Of course not!

When we say "the public," we mean the 130,000,000 people of this nation who invest in business, who work in business, who manage business, and who buy the products of business. Business and the public are so interdependent that it would not be stretching the point to say they are one.

Yet, time after time, we hear the soap-box orator describe in lurid terms the sins of "business." We hear the enemies of private enterprise rail against the might and power of "monopolies," the curse of "bigness," and the evils of capitalism in general.

The recent study in DUN'S REVIEW on "How Big is Big Business" (March 1939) pointed up in high relief the conflicting testimony on the subject. And to my way of thinking, the author was entirely correct when he concluded his article with the sentence, "What really matters is the highest and most stable rates of production, consumption, and employment that can be reached without sacrifice of our essential liberties."

That *is* what really matters. That is what industry is doing everything possible to attain. And that is what we must tell the public.

Business—big or small—is responsible for the welfare of every citizen in the nation. Every citizen must understand this in order to give full effectiveness to industry's efforts toward recovery.

So far in this discussion, I have taken up the facts of business which should be given to the public. I have described the new type of business man as opposed to the old, the new concepts of business responsibility, the interdependence of business and the public, and the public's welfare which is dependent on business.

Now in addition to stating its case, let's see what business is doing today to make its case worth stating.

Industry has been doing a thorough job of cleaning its own house. Individually and collectively, business men have reviewed their own practices in the searching light of self-examination.

Through the National Association of Manufacturers, for example, business men are pooling their experience to develop sound, enlightened policies that concern their relationships with all groups.

In labor relations, NAM members have spent much time studying the best possible employment procedures. Its Employment Relations Committee recently completed a thorough survey of companies' policies and after months of exhaustive study devised a check-list of successful practices which any employer can use to advantage in evaluating his own policies. This check-list covers all subjects that pertain to labor relations: wages, hours, working conditions, grievances, promo-



MANUFACTURERS' ASSOCIATION HEAD

Born in Chicago in 1876, Howard Coonley was graduated from Harvard in 1899. His first job was as office boy with Walter Baker & Company, chocolate manufacturers. In 1902 he opened his own plant to manufacture enamel cooking utensils.

Earlier Mr. Coonley and three brothers had developed 100,000 acres of Texas cattle and farm land: establishing the first motor line as a feeder to markets reached by railroads, building a railroad, the Crosbyton & Southwestern, as well as hotels, lumber yards, stores, and even a bank. They started the towns of Crosbyton, Lorenzo, and Idolou, Texas. Despite adversity in the form of a blackleg epidemic, Mr. Coonley's property proved to be a successful, large scale farming project, a pioneer effort of this sort in the cattle region.

Since 1913, when he became President of Walworth Company, he has seen it expand to operate plants in South Boston, Mass., East St. Louis, Ill., Attala, Ala., Greensburg, Pa., and Kewanee, Ill. Now Chairman of the company, he is also President of the National Association of Manufacturers, and Chairman of the Manufacturers' Standardization Society of the Valve and Fittings Industry. He holds a number of directorships and was from 1923-1925 President of the Boston Chamber of Commerce.

tion and discharge policies, hiring and lay-offs, and stabilizing jobs and wages.

With regard to working conditions, the NAM has under way a large scale effort to make available to smaller companies the knowledge and experience of larger ones so that the general standard of working conditions may be raised even higher than it is today. The Association's Committee on Healthful Working Conditions, with Dr. Victor G. Heiser as consultant, is studying medical services, sanitation, lighting, heating, ventilation, and safety in an effort to present minimum standards which have been found successful.

Then, too, business men are busy checking industrial practices in general. An NAM committee has worked up another check-list of sound industrial practices, setting forth specific recommendations to business which cover the relationship between manufacturers and customers, manufacturers and suppliers, competitors, stockholders, creditors, local communities, and Government. Again, business men find an accurate scale against which they can stake their own practices to see how they compare.

This is more than a general house cleaning by business. It is individual house cleaning to make sure that the individual job and the individual business comes up to scratch. On this basis, therefore, business looks at itself with perspective.

Congressman Doughton has declared (DUN'S REVIEW, May 1937): "If business men wish to help their

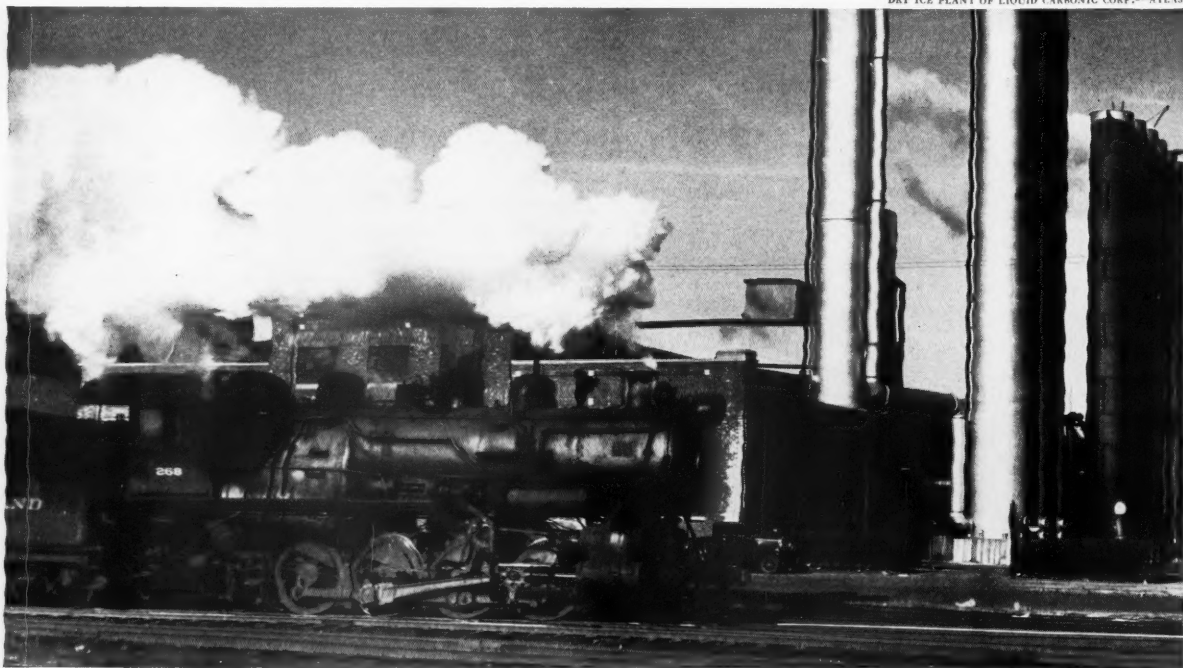
legislators, they must first be sure they are motivated by unselfish aims and are standing on an intellectual height. They must, no less than the legislators, see the landscape beyond."

This is exactly what business men are doing when they work together in nation-wide groups. We are seeing "the landscape beyond," and we are not pressing our particular desires ahead of those of others. We have learned that such selfish procedure does not pay.

Therein lies the road to recovery. The fact that business men today look at the forest instead of the trees, at "the landscape beyond," instead of the foreground, means that they are getting perspective. And it is perspective that business needs, that Government needs, that agriculture and labor need, in order to plot out the right road to recovery.

We want no false recovery, based on superficial, unsound economic conditions. The true recovery necessary is a recovery based on the perfect co-ordination of the individual parts. It must be recovery founded on complete understanding of the basic parts of our economic system.

The public—our workers, stockholders, and customers—must understand what industry means to the nation. The public must appreciate the case of business. All of which proves that it is incumbent on business to state its case. The job has been started. But it must be carried to its conclusion if our democracy is to continue and to grow stronger.



DRY ICE PLANT OF LIQUID CARBONIC CORP.—ATLAS

A third report of the Survey of Taxes Paid by Business, directed by Walter Mitchell, Jr., of DUN & BRADSTREET, INC. Technical consultants were Professor Carl Shoup, Columbia University, Professor Paul Studenski, New York University, and Clifford Hynning, U. S. Department of Commerce.

TAXES PAID BY BUSINESS COMPARED *with* VALUE *of* SERVICES RENDERED

THE first move in describing the size of anything is to compare it with something well known. The old phrase "big as a house" is a fine example of intentional vagueness, but some significant standard can usually be found. To most of us a "tall man" is one more than six feet high. But no such convenient basis is available for deciding what is a large or small tax bill. The most difficult problem of the DUN & BRADSTREET Survey of Taxes Paid by Business has been to devise a fair and significant basis of comparison.

It seems likely that the invention of units of measure has always run upon an embarrassment of choices, rather than a scarcity. For instance, we are told by legend that the traditional English system for measuring distance is founded upon the length of the king's foot. Even in that era, when we are led to suppose life was delightfully simple, there must have been some doubt as to which foot of which king should be used and some uncertainty as to whether to adopt the length of his arm, his total height, or the distance around his head, as the standard unit of measure.

Out of several diverse possibilities, and after careful study, two standards

This article continues the report of the Survey of Taxes Paid by Business. In the July DUN'S REVIEW there appeared the first report from complete figures; in it taxes paid by and through business were reported as percentages of sales volume. With that article there were published the definition of terms used and—to indicate the extent of coverage of the sample—an analysis by industries and trades of the number and sales volume of reporting concerns. These also apply to this month's article.

A project of the Research and Statistical Division of DUN & BRADSTREET, INC., this tax study has been carried forward under the general direction of Dr. Willard L. Thorp, Director of Economic Research, who established the broad objectives and the general plan. Walter Mitchell, Jr., Director of Surveys, was in charge of procedure and analysis. The editing of returns and compilation of figures were under the direction of Fernley G. Fawcett.

In addition to help from the three technical advisors, valuable suggestions were received from Professor Gerhard Colm, of the New School for Social Research; Professor Neil Jacoby, of the University of Chicago; Dr. Frederick L. Bird, Municipal Service Department, DUN & BRADSTREET, INC.; and Miss Mabel Walker, Tax Policy League.

have been chosen for the Survey tabulations. The first is the ratio of tax payments to sales (DUN'S REVIEW, April, July). This is the most convenient and direct measuring device among the possible methods considered. The second is the ratio of tax payments to the value of the services rendered by business. This forms the basis of the tabulation presented in this issue, and gives a more logical and significant measure though necessarily a less accurate one. A later portion of this discussion will show why these two bases of measurement were chosen.

At this point it is sufficient to note that the value of services rendered by

a wholesaler or retailer is the difference between his dollar sales volume and the cost to him of the goods sold: his gross margin. In the case of a manufacturer, it is the difference between dollar sales volume (or value of products) and the cost of materials and supplies, an amount which is defined by the Census Bureau as "value added by manufacture." Customers establish this value of services rendered by the hard fact that they have been willing to buy the goods.

When tax payments are compared with this value instead of sales volume the results are quite different and significant. For instance the tax pay-

ments of retail trade in 1938 amounted to a little more than 2 per cent of sales volume, but $7\frac{3}{4}$ per cent of the value of services rendered by retailers (table I). The contrast is more striking in a narrow margin trade such as groceries and meats, where tax payments amount to about $1\frac{1}{2}$ per cent of the sales volume as compared with $8\frac{1}{4}$ per cent of the available margin. In a wide margin trade such as furniture the contrast is less striking. Taxes amount to 3 per cent of sales volume as against 8 per cent of the value of services rendered.

The tax payments of wholesalers, which amounted to only $1\frac{1}{2}$ per cent of 1938 sales, jump to an $8\frac{1}{2}$ per cent ratio when compared with the estimated value of the services they render.

Under the definition which we are using, the value of services rendered by manufacturers is commonly a larger proportion of the dollar sales figure than is true in retailing—simply because of the heavy labor content and

heavy charges on plant investment which are general in manufacturing.

In line with this we find that the taxes paid by the usual manufacturing industry are a little more than $3\frac{1}{2}$ per cent of the sales volume as against about $6\frac{1}{2}$ per cent of the value of services rendered.

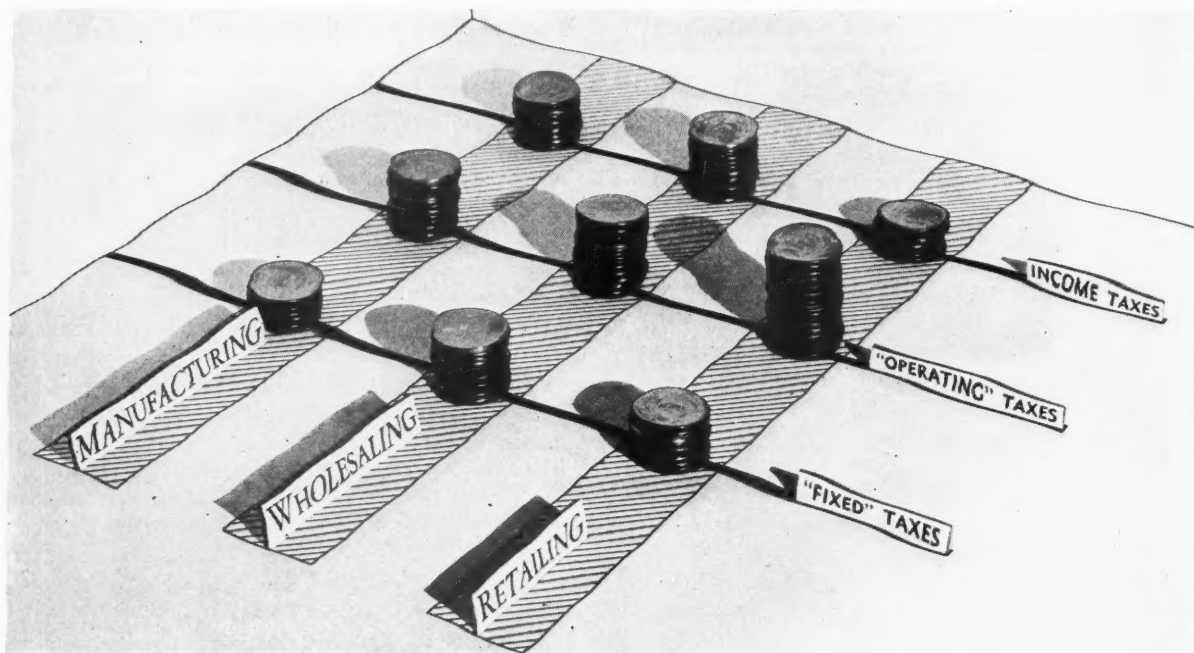
While the stage was darkened to allow for a change in our basis of calculation, the pyramid of tax ratios executed a neat somersault. The manufacturers' is now on the bottom instead of on top, and the wholesalers' is highest instead of lowest, while the retailers' arithmetical acrobat remains in the middle.

Both of these methods of measurement run into some difficulty with heavily-taxed commodities such as alcoholic beverages, tobacco, and petroleum. In such instances, tax payments have been compared with total receipts. (See also table V.) For instance, the distilled liquor industry hands over to

the Government in total taxes more than half of what it collects from customers, so that tax payments exceed in amount the net-sales-after-deduction-of-taxes. Therefore the tax payments of this and similar lines have been compared with the difference between *total receipts* and the cost of materials. As a result the tabulation shows that distillers' tax payments absorb seven-tenths of this margin fund or difference. This entire difference between receipts and cost of materials can scarcely be defined as the value of services rendered by a distillery or winery, but under the circumstances it seems the most practical basis for comparison with other trades where sales taxes are a small item and total receipts differ only slightly from net sales. Further discussion of the tax payments of these particular commodities will appear later in the article.

Excluding the three most heavily taxed commodities, the ratios of tax

THREE KINDS OF TAXES AS PERCENTAGES OF THE VALUE OF SERVICES RENDERED



The heights of these columns of discs show the relative percentages that taxes are of value added by manufacture or of gross margin in the trade groups. The tallest pile—"operating" taxes of retailers—represents 4.21 per cent. Tobacco, liquor, and petroleum taxes are omitted, since heavy excises on these products require separate classification.

I. TWO METHODS OF MEASURING TAX PAYMENTS—A COMPARISON BASED ON 1928 DATA

(For all Retailing and all Wholesaling except petroleum products and alcoholic beverages
and all Manufacturing except alcoholic beverages, tobacco, and petroleum products)

	Total Tax Payments Millions of Dollars	Receipts (Sales) Millions of Dollars	Total Tax Payments as Percentages of Receipts Per Cent	Value of Services Rendered Millions of Dollars	Total Tax Payments as Percentages of Value of Services Rendered Per Cent
MANUFACTURING	3,599	44,312	3.61	24,497	6.53
WHOLESALE	279	19,133	1.46	3,257	8.56
RETAILING	765	35,593	2.15	9,868	7.73

payments to value of services rendered show a greater degree of uniformity than the ratios to sales. In the three major fields of manufacturing, wholesaling, and retailing, tax payments quite generally absorb 7 or 8 per cent of the value of services rendered (tables IV and V). The earlier ratio of tax payments to sales showed manufacturers paying $2\frac{1}{2}$ times the amount paid by wholesalers, with retailers' payments at an intermediate point, but the present computation shows much smaller proportionate difference between the three fields.

Measures

What is the relative significance of two methods of measurements which produce such strikingly different results? An examination of the various possible methods of measurement will show why these two were chosen.

The absolute dollar amount of tax payments paid by reporting concerns could not be used for a very obvious reason. Taxes paid by the typical large concern greatly exceed the dollar tax payments of the small outfit. In the case of property taxes, supposedly related to benefits received by the taxpayer, the large concern is in a position to draw more benefits than the small. In the case of a sales tax for which business is specifically delegated as the deputy collector, the large concern will naturally be the more effective revenue producer. In the dollar figures these natural differences related to size obscure the significant variations.

One obvious move would be an attempt to appraise tax payments in terms of benefits received, in much the same way as the wage payments are examined in comparison with the record of man-hours worked and number of units of goods produced. From which of his tax payments should the business man expect a return in the form of directly beneficial government services? From this viewpoint, he is not very directly concerned with sales taxes imposed on consumers and merely collected by the seller acting as a deputy. Yet the Survey records all tax payments and cannot show what portion of any tax is absorbed by the enterprises paying it. The report on taxes in the July issue of *DUN'S REVIEW* discussed at length the hazards of guessing what portion of any tax is shifted by the payer to his customers, workers, or suppliers. Since we cannot know what portion of the business man's tax payments come out of his net worth or his profit, we cannot properly compare his tax payments with the benefits he receives.

Certainly, while the Federal and other government bodies continue to operate at a deficit or pursue a "compensatory fiscal policy," tax payers as a group are getting more dollar expenditure out than they put in, regardless of whether they think the benefits are a good money's worth. But it is still impossible to determine in any very accurate manner whether any particular group of tax payers get out more or less than it put in. How, for in-

stance, can anyone appraise in dollars the benefit which some specific individual tax payer derives from the Pacific Fleet maneuvering somewhere off Panama?

We are thrown back on the obvious necessity of measuring the tax payments of any business enterprise or group of concerns in terms of the importance of those concerns in the business structure. The possible measures are much like the available economic measures of a single human being. A business may be measured:

- by what it has—its net worth or its assets
- by what it does—its receipts from sales
- by what it is paid for its services—its gross margin or value added by manufacture

- by what it saves—its net profit

These standards are not all of equal merit as criteria of the importance of a business; therefore the relations of tax payments to them cannot be of equal value.

Taxes to Net Worth

The widespread use of net worth as one basis for credit ratings is evidence of its acceptance as a measure of the responsibilities and importance of a business concern. To be more accurate, tangible net worth is the term commonly used by credit men to indicate a figure which excludes arbitrary and doubtful assets such as valuations placed on good-will and patent rights, but which includes values for cash, receivables, inventories, property, and securities. Even though intangibles have been excluded, net worth may more nearly resemble stage scenery than the rocky permanence which we commonly associate with property ownership. Good prompt receivables look the same on the ordinary balance sheet as do those drawn from the moldy ledger pages carrying uncollectible old debts. Inventory may have been valued at cost or market; and if the latter, whose idea of market price was used? Whose appraisal was placed on build-

ings and equipment and what depreciation policy was followed?

In comparison with dollar sales volume, this net worth figure seems like a relatively imaginary quantity. We don't know exactly the value of any of these assets until they have been sold, a statement which applies with special force to permanent assets. When they are sold and their value thereby determined, the business no longer exists, and we don't need to know its net worth. More than 100 years of experience with property taxation in the United States has revealed the difficulty of reaching accurate appraisals of value.

Not only was net worth considered an unsatisfactory base against which to measure taxes, but analysis of the taxes throws doubt on the logic of such a relation. Taxes directly assessed against assets, such as property taxes and licenses, are a major item in a few lines of business, but constitute less than one-quarter of the usual manufacturer's tax payments and only a little more than one-quarter of the tax payments of wholesaling and retailing. Thus three-quarters of the tax payments of business have no logical relation to net worth. All of the above arguments apply in about the same manner to the proposal that tax payments be related to the value of fixed assets or plant and equipment.

Taxes to Profits

Next candidate for examination was the frequently proposed comparison of tax payments with net profits. Even vigorous critics of taxation would hardly class all taxes as "confiscated profits." Neither can the entire lump of tax payments be passed off as "just one more expense item." To the normal business man taxes are more annoying than other types of expense. He can decide

whether to advertise, whether to hire more help, whether even to operate the plant at all, but some part of his tax bill is payable regardless of decisions.

Only by the slow and clumsy process of joint decision with other voters, can the business man regulate the amount of government services he "buys." In practice, he feels that taxes are forced upon him. Perhaps also, the benefits received in return for tax payments may be less satisfying because they are less easy to appraise than the productivity of labor or the response to advertising.

A comparison of tax payments with profits carries with it the unspoken wishful thought that if business had no taxes to pay profits would be correspondingly greater, perhaps double in a good many cases. That, in turn, involves an assumption that all taxes are paid out of profits. In a previous discussion of the "shiftableness" of taxes (DUN'S REVIEW, July) it was suggested that the removal of an ordinary type of sales tax would have little if any effect on the retailer's net profit and that other taxes are to a considerable degree shifted to customers, suppliers, or workers.

By analogy, too, a similar comparison between wages and profits would be equally valid, in order to show what

net profits might be if wages were lower or slave labor available. To retreat a little from absurdity, a comparison between advertising and net profits would demonstrate the potential immediate improvement in net profits if advertising expense were to be discontinued; yet advertising men are brimming with stories of disaster to sales and profits as a long-run result of a resolve to "save on advertising."

No survey is necessary to demonstrate the legal and practical relationship

between income taxes and net profit, even though it is the fruit of a shotgun wedding. But income taxes only constitute one-fifth of the tax payments of retailing and one-third of the tax payments of manufacturing and wholesaling. Analysis of the tax payments themselves yields no overpowering argument in favor of net profit as a base for tax comparison.

Without Taxes

Reducing the comparison of taxes and profits to a point of absurdity, it seems likely that if there were no taxes and therefore no government, national defense, fire protection, or the processes of justice, profits would be smaller, not larger. Business enterprise as we know it would not exist, and the enterprise that emulated the early practice of the Hudson's Bay Co. by performing its own governmental functions would find the cost eating sadly into profits.

Considering these arguments it would seem that the relationship between taxes and profits could be more logically made part of a general study of what happens to the gross margin earned by a typical business enterprise. Gross margin measures the total economic contribution of five factors making that enterprise valuable to the community. They are:

II. TOTAL TAX PAYMENTS AS PERCENTAGES OF VALUE OF SERVICES RENDERED—1938

MANUFACTURING WHOLESALING RETAILING
Per Cent Per Cent Per Cent

EXCLUDING MANUFACTURERS AND WHOLESALERS OF ALCOHOLIC BEVERAGES AND PETROLEUM, AND MANUFACTURERS OF TOBACCO

TOTAL TAX PAYMENTS...	6.53	8.56	7.73
"FIXED" TAXES.....	1.55	2.47	2.09
"OPERATING" TAXES.....	2.82	3.25	4.21
INCOME TAXES.....	2.16	2.84	1.43

ALL MANUFACTURERS, WHOLESALERS, AND RETAILERS

TOTAL TAX PAYMENTS...	12.43	17.11	7.73
"FIXED" TAXES.....	1.60	1.99	2.09
"OPERATING" TAXES.....	8.72	12.74	4.21
INCOME TAXES.....	2.11	2.38	1.43

FACTORS OF PRODUCTION HOW PAID FOR BY BUSINESS

1. Labor (including purchased services such as advertising)	1. Wages and service charges
2. Management	2. Salaries
3. Risk or equity capital	3. Profits
4. Capital borrowed on security (including leased property)	4. Interest and rent
5. Government services	5. Taxes, licenses and fees

Some of the five functions may merge in a small enterprise. The extreme case is the small retailer who owns the store, is both manager and sales force, and has no borrowed capital. After deducting the cost of outside services, such as advertising or insurance, and his tax payments to government, he retains the remainder of the margin as pay for performing all of the other functions. The comparison of tax payments with value of services rendered might be called a first step in the direction of this eventual analysis of business earnings and disbursements.

The next possible measuring stick is gross dollar sales volume, which was used as a base for measuring the tax payments reported in the April and July issues. This has the advantage of being well known and needing no complex definition. Furthermore, sales volume is less a matter of opinion or accounting decision than any of the other three bases considered, particularly if "sales" are allowed the broad definition of "goods, actually sold, delivered, and paid for." It also has the practical advantage of being a figure more willingly reported by the average business concern and more quickly available than either gross margin or net profit—therefore more likely to yield an accurate survey based upon a broad sample of returns. Because of this last fact, sales volume figures were the only basic data requested from contributors, and the relation between taxes and sales was

necessarily a first step toward any other kind of computation.

Sales volume can claim about the same degree of kinship to the tax bill as the net worth and net profit bases previously discussed. Sales taxes, which move directly in step with dollar volume, constitute about one-third of the retailer's and one eighth of the usual wholesaler's tax payments, though they are negligible in the majority of manufacturing lines. However, if the manufacturer's excise on three important groups of commodities—alcoholic beverages, petroleum, and tobacco—are included, sales taxes amount to more than half of all the taxes paid by manufacturing industry.

Balancing these practical arguments, the sales measuring stick has several flaws which force it out of the blue ribbon class. In the first place we do not know the tax content of the materials purchased by manufacturer, wholesaler, or retailer. It is quite certain that those who produced, processed, and transported those materials paid taxes, an unknown portion of which became a charge against the ma-

terials. It is far more logical to compare tax payments at any given stage of the production-distribution process with the value added to the goods at that stage.

The second objection is closely related. Whereas a ratio of taxes to sales may give a fair comparison between two enterprises operating in a like manner within the same trade, it is a less helpful basis for comparing the tax payments of a grocery retailer who operates on a 15 per cent margin with the tax payments of the manufacturer whose cost of production and distribution represents 60 per cent of the finished product price.

Taxes to Service

The value of services rendered by a business enterprise remains the most likely base for comparison with tax payments. It is further spotlighted by the infirmities of the other possible measures. However, at least one jump in the twilight is necessary to derive from the tax-to-sales ratios previously available, a new set of ratios to this favored base. Hence, it may be less

III. THREE TYPES OF TAX PAYMENTS, AS PERCENTAGES OF THE VALUE OF SERVICES RENDERED—1938

(Excluding Manufacturers and Wholesalers of Alcoholic Beverages and Petroleum, and Manufacturers of Tobacco)

	MANUFACTURING Per Cent	WHOLESALE Per Cent	RETAILING Per Cent
"FIXED" TAXES			
Property Taxes (all concerns).....	1.30	1.88	1.51
Owners	1.36	2.58	2.13
Renters	0.43	0.94	0.94
Franchise and Chain Taxes.....	0.11	0.12	0.04
All Other Taxes and Licenses.....	0.14	0.41	0.54
"OPERATING" TAXES			
Social Security Taxes (Employers').....	1.89	2.18	1.66
Sales, Excise Taxes (State, Local).....	0.16	1.12	2.54
Federal Excise Taxes.....	0.78
INCOME TAXES			
Federal Income Taxes (all concerns).....	1.87	2.41	1.19
Corporations (including Capital Stock Tax) ..	1.89	2.58	1.30
Partnerships and Proprietorships.....	0.62	1.64	0.61
State Income Taxes (all concerns).....	0.28	0.44	0.25
Corporations	0.29	0.44	0.26
Partnerships and Proprietorships.....	0.14	0.46	0.18
TOTAL TAX PAYMENTS.....	6.53	8.56	7.73

IV. TAXES PAID BY BUSINESS—1938—As PERCENTAGES OF VALUE OF SERVICES RENDERED¹

	ESTIMATED TOTAL OF TAXES PAID Thousands of Dollars	TAXES AS PERCENTAGES OF VALUE OF SERVICES RENDERED					ESTIMATED TOTAL OF TAXES PAID Thousands of Dollars	TAXES AS PERCENTAGES OF VALUE OF SERVICES RENDERED			
		All Taxes	"Fixed"	"Operating"	Income			All Taxes	"Fixed"	"Operating"	Income
		Per Cent	Per Cent	Per Cent	Per Cent			Per Cent	Per Cent	Per Cent	Per Cent
MANUFACTURING INDUSTRIES											
FOOD	287,377										
Baking and Confectionery	44,118	5.44	1.36	2.57	1.51						
Beverages, Non-Alcoholic	9,881	6.01	1.45	2.27	2.29						
Dairies, Creameries, and Milk Dealers	37,401	10.04	4.19	3.93	1.92						
Meat Packing	29,853	4.55	1.00	1.73	1.82						
Ice Manufacturing	6,762	6.88	3.03	2.57	1.28						
Flour and Feed Milling	11,302	6.87	3.38	2.59	0.90						
Canning and Other Food Manufacturing	148,060	18.56	1.84	13.16	3.56						
TEXTILES AND CLOTHING	142,201										
Textile Weaving	92,757	7.13	2.50	2.92	1.71						
Clothing	41,462	4.56	0.82	2.94	0.80						
Hosiery	7,982	4.08	0.85	2.06	1.17						
FOREST PRODUCTS	67,877										
Lumber and Planing Mill Products	35,650	6.88	2.49	2.67	1.72						
Furniture	17,679	6.66	1.68	3.10	1.88						
All Other Forest Products	14,548	7.07	2.07	3.20	1.80						
PAPER, PRINTING, AND PUBLISHING	158,972										
Paper and Paper Products (including boxes)	67,005	9.30	2.30	2.63	4.37						
Printing and Binding (book and job)	35,707	5.15	1.01	2.50	1.64						
Newspapers and Periodicals (large)	55,446	5.93	1.60	2.24	2.09						
Newspapers (small) with Printing	814	3.97	1.43	1.94	0.60						
CHEMICALS AND DRUGS	96,978										
Industrial Chemicals, Chemical Products	62,685	6.67	2.06	1.73	2.88						
Drugs, Perfumes, and Cosmetics	22,042	6.68	.99	5.19	0.50						
Paints, Varnishes, and Lacquers	12,251	6.86	2.10	2.74	2.02						
SHOES	18,498	4.76	0.70	2.58	1.48						
STONE, CLAY, GLASS PRODUCTS	46,890										
Stone and Stone Products	14,609	6.79	1.26	2.22	3.31						
Clay and Glass Products	32,281	6.09	1.26	2.27	2.56						
IRON AND STEEL	182,436										
Iron and Steel Manufacturing and Products	144,080	11.35	3.48	3.60	4.27						
Foundries	10,276	6.59	2.08	2.75	1.76						
Hardware	28,080	7.17	1.74	2.48	2.95						
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT	466,221										
Electrical Apparatus and Appliances	95,069	9.43	1.71	4.00	3.72						
Machine Shop Products	29,605	6.32	1.20	2.62	2.50						
Automobiles	98,145	15.66	4.83	9.15	1.68						
Other Transportation and Agricultural Machinery	161,071	15.56	2.72	5.80	7.04						
Engines and Machinery	82,331	7.62	1.63	2.56	3.43						
MISCELLANEOUS	131,940										
Non-ferrous Metal Products	43,595	6.95	1.55	1.99	3.41						
Other Manufacturing	88,345	8.31	1.66	3.65	3.00						
ALL MANUFACTURING (except Distilleries and Wineries, Petroleum Refining, Tobacco Products, and Breweries)	1,599,390	6.53	1.55	2.82	2.16						
Distilleries and Wineries	278,522	70.07	0.49	69.30	0.28						
Breweries	323,583	53.41	0.99	51.28	1.14						
Petroleum Refining	672,770	40.49	3.23	35.23	2.03						
Tobacco Products	604,171	72.66	0.83	69.52	2.31						
ALL MANUFACTURING	3,478,436	12.43	1.60	8.72	2.11						
WHOLESALE TRADES											
FOOD AND BEVERAGES	144,077										
Confectionery and Tobacco Products	14,290	15.07	2.02	11.36	1.69						
Dairy and Poultry Products	2,253	2.18	0.48	0.76	0.94						
Groceries	21,829	9.72	3.75	3.58	2.39						
Meats and Fish	6,634	5.25	2.00	2.25	1.00						
Produce and Fruit	6,946	2.83	0.78	1.22	0.83						
Alcoholic Beverages	92,125	47.72	1.82	42.36	3.54						
DRY GOODS AND APPAREL	22,255	7.92	3.05	3.05	1.82						
LUMBER, BUILDING MATERIALS, AND HARDWARE	25,379										
Lumber, Building Materials, and Fuel	13,068	12.18	3.94	4.29	3.95						
Hardware	12,311	13.26	5.37	3.26	4.63						
DRUGS	11,085										
Drugs and Industrial Chemicals	9,788	8.12	2.06	3.41	2.65						
Paints and Varnishes	1,297	5.55	1.37	2.24	1.94						
WHOLESALE TRADES (Continued)											
PETROLEUM AND PETROLEUM PRODUCTS	463,609	32.47	0.92	30.39	1.16						
AUTOMOTIVE EQUIPMENT	8,969	6.40	1.75	2.73	1.92						
SUPPLY HOUSES	29,674										
Plumbing and Heating Supplies	7,016	10.23	2.82	3.14	4.27						
Machinery and Equipment	9,996	8.92	2.32	2.60	4.00						
Other Miscellaneous Supplies	12,662	9.95	2.36	4.41	3.18						
MISCELLANEOUS	129,387										
Electrical Goods and Appliances	10,997	7.85	1.40	3.30	3.15						
Paper and Paper Products	7,726	9.56	2.50	3.39	3.67						
Other Wholesaling	110,664	9.47	2.58	3.24	3.05						
ALL WHOLESALING (except Alcoholic Beverages and Petroleum)	278,701	8.56	2.47	3.25	2.84						
ALL WHOLESALING	834,435	17.11	1.99	12.74	2.38						
RETAIL TRADES											
FOOD	155,885										
Groceries (Independent)	18,207	7.30	2.53	3.68	1.09						
Groceries and Meats (Independent)	42,229	8.26	1.90	5.49	0.87						
Groceries and Meats (Chains)	56,524	11.47	1.74	7.68	2.05						
Meats and Fish	7,807	4.89	1.53	3.02	0.34						
Bakeries (Independent)	1,267	4.40	1.26	2.47	0.67						
Bakeries (Chains)	1,817	6.38	1.09	2.89	2.40						
Other Food and Beverage Stores	28,034	5.65	1.99	2.90	0.76						
FARM SUPPLIES, GENERAL STORES	34,178										
Country General Stores	23,824	11.76	4.09	5.57	2.10						
Farmers' Supply Stores	6,810	7.13	2.73	2.80	1.60						
Farm Implements	3,544	11.39	2.53	6.44	2.42						
GENERAL MERCHANDISE GROUP	152,424										
Department Stores (Independent)	71,051	9.17	3.20	4.28	1.69						
Department Stores (Chains)	32,513	6.08	1.36	3.11	1.61						
Mail-Order Houses	11,466	2.99	0.49	1.30	1.20						
General Merchandise and Dry Goods	14,254	9.73	3.09	5.04	1.60						
Variety Stores (Independent)	1,738	5.90	1.73	3.46	0.71						
Variety Stores (Chains)	21,402	7.88	1.76	3.45	2.67						
APPAREL GROUP	56,159										
Men's and Boys' Clothing and Furnishings	17,635	8.27	1.91	5.09	1.27						
Women's Clothing and Accessories (Ind.)	16,792	7.42	2.06	3.90	1.46						
Family Clothing	9,144	8.34	2.09	4.02	2.23						
Shoes (Independent)	6,243	6.72	2.12	3.34	1.26						
Shoes (Chains)	6,345	6.49	1.67	2.58	2.24						
FURNITURE, HOUSE FURNISHINGS	30,548										
House Furnishings and Floor Covering	5,498	7.44	1.82	4.42	1.20						
Radio, Electric and Gas Household Appl.	1,905	5.52	1.12	3.41	0.99						
Furniture	23,145	7.99	2.39	3.78	1.82						
LUMBER, BUILDING MATERIALS, AND HARDWARE	58,944										
Lumber and Building Materials	31,908	10.21	3.18	4.57	2.46						
Paint, Wallpaper and Glass	3,434	6.07	1.59	3.62	0.86						
Hardware	16,384	8.56	2.86	3.70	2.00						
Hardware and Farm Implements	7,218	9.65	4.08	3.58	1.99						
AUTOMOTIVE PRODUCTS	107,929										
Motor Vehicle Dealers	58,230	8.55	1.68	5.70	1.17						
Automobile Accessories and Parts (Ind.)	4,532	5.93	1.59	3.41	0.93						
Automobile Accessories and Parts (Chains)	7,913	9.61	1.16	4.30	4.15						
Filling Stations	37,254	6.27	1.86	3.05	1.36						
MISCELLANEOUS	166,986										
Restaurants and All Other Eating and Drinking Places (Independent)	77,994	7.88	2.12	4.80	0.96						
Restaurants and All Other Eating and Drinking Places (Chains)	9,773	8.53	1.57	6.02	0.94						
Drugs and Cosmetics (Independent)	24,989	7.42	2.49	3.96	0.97						
Drugs and Cosmetics (Chains)	7,093	6.49	1.58	2.47	2.44						
Coal and Other Fuel	20,572	7.89	2.22	4.65	1.02						
Florists and Nurseries	3,164	4.52	2.17	1.67	0.68						
Jewelry	7,168	6.17	2.04	2.85	1.28						
Stationery, Books, and Newsdealers	3,714	7.74	1.51	4.87	1.36						
All Other Retail	12,519	9.35	1.97	5.65	1.73						
ALL RETAILING	763,053	7.73	2.09	4.21	1.43						

¹ Tables showing the ratios of "value added by manufacture" to "value of product" and estimated gross margin ratios for wholesale and retail trades, together with dollar values of services rendered, as used in this computation, will be supplied on request.

accurate arithmetically, even though more revealing as a study of business management and tax problems.

The tables show the relation of tax payments to the value of services rendered by 36 manufacturing industries, 18 wholesale trades, and 32 independent retail and 8 chain retail trades, a total of 94 lines of business. These results are based on the same 27,000 returns broken down in the "Analysis of Sample," table VII in the July issue. These returns are the result of a mailing of questionnaires to all business concerns of record in the United States.

The method of computation used in deriving these tables was as follows: for each manufacturing industry the dollar value added by manufacture was ascertained from the 1937 Census and the 1938 amount estimated with the aid of the DUN & BRADSTREET Survey of Business Trends. The percentage of gross margin earned by the several

wholesale trades was derived from various available studies of business operating ratios, believed to be reliable. These gross margin ratios were in turn applied to the 1938 estimated sales volumes of the respective trades as published in the DUN & BRADSTREET Survey of Business Trends. The similar process was used to estimate the dollar volume of retailer's gross margins, or value of service rendered, except that the margin ratios were all derived from the latest DUN & BRADSTREET Retail Survey, made in 1937. Though we know that margins may vary widely from store to store, it is necessary to assume that, on the average, the present contributors resemble the stores covered by the Retail Survey.

Tests lead to the conclusion that any errors resulting from building up these gross margins are small and that the comparative picture of business taxation, as presented, is practical and use-

ful. Tables of the "value added" and "margin" ratios used in this computation will be supplied on request, free of charge.

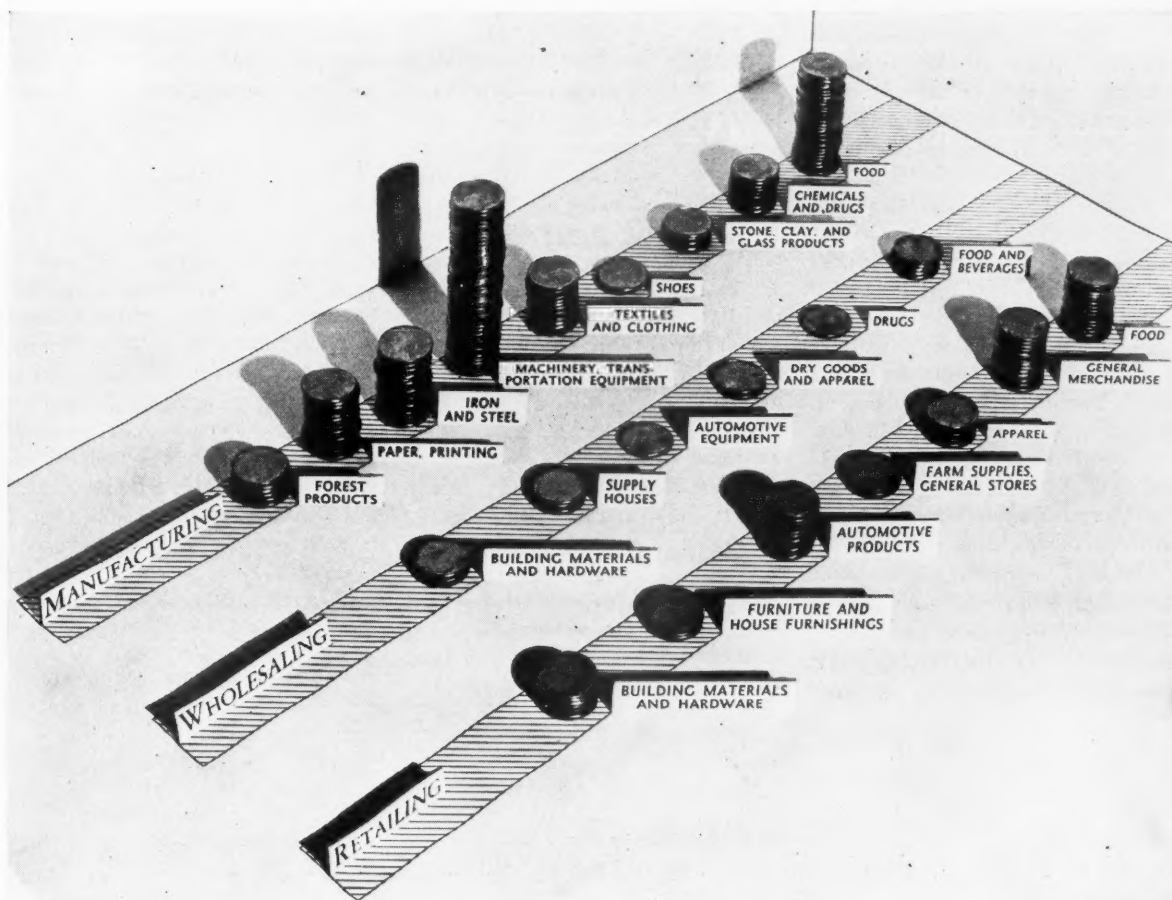
The total tax payments of each industry and trade were derived by multiplying the estimated sales volume of the trade in 1938 by the total tax payment ratios published in the July issue. The ratios of tax payments to value of services as published here are a comparison between the two sets of dollar totals just described.

In addition to these total tax payment ratios the detailed tables divide tax payments into three parts. The distinction is of primary interest from the viewpoint of management but also helpful in establishing the logical basis for measuring tax payments. These three divisions of taxes are:

FIXED—those such as property taxes, license fees, and business franchises, which are related to the permanent

TOTAL TAX PAYMENTS IN DOLLARS BY INDUSTRIAL AND TRADE GROUPS

The group that includes machinery, engines, and transportation equipment paid the largest dollar tax total, 466 million dollars; each disc represents approximately 10 million dollars.



assets of the business and may be considered as fixed costs—at least in the short run—if the enterprise operates at all. Their amount is not affected immediately by sudden expansion or shrinkage in the receipts, expenses, or profits of the business;

OPERATING—those taxes related to dollar sales or the expense budget, such as sales taxes and the Social Security contribution. Whereas the previous class of taxes becomes part of basic overhead, this class of taxes can be more logically grouped with direct or variable expense in the management equation which deals with cost;

INCOME—Federal and State taxes on the profits of enterprise. They are not a direct part of the fixed or variable expenses of the business and become payable only if the management's profit-making equation has been solved correctly. It should be noted, however, that the business man who makes a profit has consciously or unconsciously included these taxes in his selling price, for he did not have to pay them out of his net worth.

From the summary table it will be seen that the largest share of the tax bill is the "operating" classification (table II). In all three fields of manufacturing, wholesaling, and retailing, this share substantially exceeds the portions of taxes related to permanent assets or profits.

Wholesaling leads the other two fields in every specific tax payment with the exception of sales and excise taxes and "all other taxes and licenses" (table III). In these exceptional cases retailing pays the largest taxes in percentages of the value of service rendered. Manufacturing pays the smallest percentage of "value added" in property taxes, "all other taxes and licenses," and sales and excise taxes, while retailing reports the lowest tax ratios for all other specific tax items.

The irregularities of the tax structure should be kept especially in mind when interpreting these figures. For instance, Survey ratios of State sales taxes paid by retailers are necessarily

lopsided since only half of the States impose sales taxes, and over half the reporting retailers therefore paid nothing on this account (table V, page 20 in DUN'S REVIEW for July). A tabulation covering only sales tax States would show at least twice as large a ratio of payments. State income taxes, imposed in 36 States, cause a similar but smaller bias. Our total tax payment ratios are built upon a weighted average of property tax payments, and many of the concerns rent their quarters. Yet the property tax in all such cases is supposedly paid by the occupant in the form of rent. In contrast, the Survey includes all Federal income taxes paid by the participating concerns, and the tax is assessed on a uniform basis throughout the country.

One other caution appearing in our previous reports deserves brief mention again. The Survey analyzes 1938 tax payments, and every other year will differ in some unknown degree because of changes in tax rates, assessments, the general level of prosperity, and the relative fortunes of the several industries.

Tax payments of the usual manufacturing industry in 1938 absorbed about 6½ per cent of the value of services rendered by that industry. Scanning the several industries this ratio of tax payments ranges between 6 and 10 per cent of the value of services rendered by more than half of the 36 industries analyzed. Outside this "interquartile range" are the unusually high and low ratios (table IV).

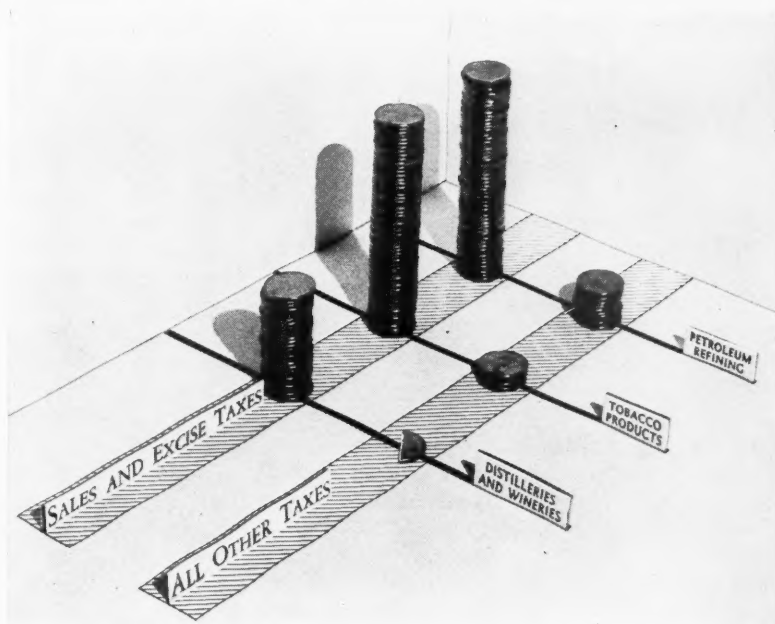
Extremes

At the top is the tobacco industry where taxes constitute almost three-quarters of the difference between the manufacturer's sales receipts and his cost of materials. Similar is the case of distilleries and wineries, whose tax payments exceed the cost of manufacture and therefore count for seven-tenths of the difference in sales receipts and cost of materials. Outside of the four well-known heavily taxed lines, the highest ratio of taxes to value added by manufacture is 18½ per cent, reported by canners and miscellaneous food processors. This group includes makers of

V. TAX PAYMENTS AS PERCENTAGES OF VALUE OF SERVICES RENDERED—1938, OMITTING ALL EXCISE TAXES

	ESTIMATED TOTAL OF TAXES PAID Thousands of Dollars	TAXES AS PERCENTAGES OF VALUE OF SERVICES RENDERED			
		All Taxes Per Cent	"Fixed" Per Cent	"Operating" Per Cent	Income Per Cent
MANUFACTURING					
Distilleries and Wineries.....	3,883	3.16	1.54	0.73	0.89
Breweries	16,014	5.37	1.99	1.06	2.32
Canning and Other Food Manufacturing	56,087	7.93	2.06	1.87	4.00
Drugs, Perfumes, and Cosmetics.....	7,141	2.26	1.03	0.71	0.52
Petroleum Refining.....	102,897	9.42	4.91	1.54	2.97
Electrical Apparatus and Appliances....	83,049	8.33	1.74	2.84	3.75
Transportation and Agricultural					
Machinery	136,642	13.51	2.80	3.51	7.20
Automobiles	61,905	10.45	5.11	3.56	1.78
Tobacco Products.....	37,168	14.06	2.65	4.15	7.26
Other Manufacturing.....	70,778	6.75	1.67	2.05	3.03
TOTAL	575,564	8.92	2.79	2.38	3.75
WHOLESALE					
Alcoholic Beverages.....	12,264	10.85	3.15	1.62	6.08
Petroleum and Petroleum Products....	35,442	3.55	1.33	0.58	1.64
Confectionery and Tobacco.....	4,927	4.95	2.02	1.24	1.69
TOTAL	52,633	4.36	1.57	0.73	2.06

THREE GROUPS WITH HEAVY SALES AND EXCISE TAXES



Excise and sales taxes on tobacco, alcoholic beverage, and petroleum products far overshadow other taxes. The tallest column, sales and excise taxes for the petroleum industry, indicates 567 million dollars.

oleomargarine and other processed foods subject to Federal excise taxes.*

The iron and steel industry is an outstanding instance of heavy total tax payments, amounting to $11\frac{1}{3}$ per cent of the value added by manufacture, where sales taxes are not primarily responsible. Similar are the dairy, electrical, and paper products industries, whose tax bills absorb about 10 per cent of the value of services, largely because of a high ratio of "fixed taxes." High payment ratios on all three classes of taxes are reported by makers of transportation and agricultural equipment, a group which includes some highly prosperous aircraft makers, and consequently shows a large income tax ratio.

At the bottom end of the range are small newspapers and printing plants, whose tax bills are relatively little in comparison with the value of their services; also the hosiery industry, where taxes absorb only a little more than

4 per cent of the value of services.

Possibly accidental, but worth noting is the fact that these two lightly taxed lines have been reported relatively prosperous of late, and that the paper, liquor, food processing, steel, and dairy products lines, appearing among the high tax ratios, have had a modicum of troubles. In general, also, tax payments absorb a larger proportion of the value of services in the durable and capital goods industries than in the making of consumption goods. The significance of these differences cannot be proved, but they come handily to light at a time when economists and governments are focusing on the problem of aiding durable goods industries.

A scanning of the three classes of tax payments previously described reveals some significant points. In a majority of the industries "operating taxes" are larger than either of the other two types. This type of tax ranks third in only one instance, when the relatively low payroll and sales tax payments of

industrial chemicals and chemical products industry cause the exception. Similarly, the class of "fixed taxes" ranks third in the majority of industries and takes first place in only three instances: dairies, creameries, and milk dealers; ice manufacturing; and flour and feed milling. Income tax payments more often rank second or third than first, but the tendency is not conclusive.

A number of industries reporting a relatively high tax of one variety will report a definitely low tax of another variety in a complementary fashion. Cases in point are: ice manufacturing, and flour and feed milling, with high fixed taxes and low income taxes; industrial chemical manufacturing, with high income taxes and low operating taxes; drug, perfume, and cosmetic manufacturing, and distilling, brewing, and petroleum refining, with high operating taxes and low fixed and income taxes; and automobile manufacturing, with high fixed and operating taxes and low income taxes.

Among the several wholesale trades, the ratio of total tax payments to value of services varies more widely than among manufacturing or retailing lines. For instance, taking those nine of the eighteen trades whose payment ratios fall nearest to the average, it is still possible to pick almost any kind of story one pleases, and say that taxes absorb anywhere from 6 to 12 per cent of the gross margin in wholesaling (table IV). For all wholesaling, tax payments absorb about $8\frac{1}{2}$ per cent of the value of services rendered. The lowest percentages were reported by wholesalers of dairy and poultry products, and produce and fruit. The very high ratios were reported by wholesalers of alcoholic beverages and petroleum products, functioning as deputy collectors for sizable sales taxes.

Among the wholesale trades not specifically charged with collecting heavy excises, largest tax payment ratios were reported by the wholesale lumber, hardware, and plumbing supply trades, in every instance, partly the result of substantial income tax pay-

* See list of commodities, p. 24. DUN'S REVIEW for July, 1939.

ments. The confectionery and tobacco and petroleum wholesalers, though handling large tax sums, paid income taxes which suggest only limited taxable profits, but liquor wholesalers' income taxes suggest more frequent profitable experience.

The class of operating taxes is, in the majority of wholesale trades, the largest of the three classes. Similarly, the majority of trades show income taxes as the second largest class and fixed taxes as the smallest. Outstanding exceptions are the wholesale hardware trade, where operating taxes rank last instead of first; and the following three trades where fixed taxes run counter to type by ranking first instead of last: groceries, dry goods and apparel, and hardware.

For retailing as a whole, 1938 tax payments absorbed a little less than 8 per cent of the gross margin, which serves to measure the value of retailers' services rendered. The ratios for the several trades show remarkably little variation, ranging between 6 per cent and $8\frac{1}{2}$ per cent in 20 of the 40 trades (table IV). Highest payment ratio, amounting to $11\frac{3}{4}$ per cent of the gross margin, was found in country general stores—probably less the result of high taxes than of a small "margin fund" with which to compare them. Close behind in tax payments, and similar in character, are farm implement dealers. Also in the exclusive area above 11 per cent of gross margin are the tax payments of chain grocery organizations, where the need for considerable manpower, all subject to the full Social Security program, builds up "operating tax" payments.

At the other extreme are three retail mail-order houses, who paid out only 3 per cent of their "margin fund" in taxes, but because of their small number cannot be guaranteed typical of the trade as a whole. Next in line are the bakeries, which operate on a wide margin in order to cover labor cost, yet average so small in size that they are only lightly touched by the Social Security program.

Over half of the total amount of taxes paid by retailing was in the form of sales and payroll taxes, the variations in which are closely related to the ups and downs of sales volume, margin, and expense. These "operating taxes" were not only largest of the three classes in the averages for all retailing, but held top rank in 38 of the 40 trades. The only two exceptions were the hardware retailers selling farm implements and the nursery trade, where the inherent need for property ownership and the resultant heavier property tax payments serve to give first rank to fixed taxes. "Fixed taxes" are second largest of the three classes in a substantial majority of the retail trades; a contrast with the third place ranking among manufacturers and wholesalers. This difference in ranking shows the substantial property tax burden of retailing, and the tendency for miscellaneous taxes, such as licenses and chain-store taxes, to be far higher in the retail field than elsewhere. Income taxes are consistently in third place among retailers' tax payments, commonly running to about $1\frac{1}{2}$ per cent of the available gross margin fund.

Excise Taxes

If Federal excise taxes on manufacturing are excluded entirely from our calculations, it develops that the affected industries such as tobacco, distilling, and petroleum, pay other taxes amounting to only about the usual proportion of the value of services rendered. Table V recomputes the data for these lines, comparing all taxes except excises with the "difference between net sales and cost of goods" as a base, rather than the "difference between total receipts from customers and cost of goods."

A similar change occurs in the story of those wholesale trades acting as deputy collectors of special State and local excises. The tax payment ratios of the wholesale petroleum and tobacco trades fall well below the general wholesaling average when computed on this basis. Likewise, the tax pay-

ments of alcoholic beverage wholesalers are lowered from $47\frac{3}{4}$ per cent to about 11 per cent of the value of services rendered if Federal, State, and local sales and excise taxes are omitted from the total tax percentage.

No similar computation has been made in the retail field, since the broad general coverage of retail sales taxes is less likely to distort comparisons.

One of the most important objectives of an analysis of tax payments should be to determine the proportion of the gross earnings of business spent for the "purchase of government services" and how that share compares with the amounts spent for the other factors of production. This can never be computed with absolute accuracy, but it is hoped that a later analysis may enable us to define the maximum and minimum limits of government's share. At the moment only rash speculation about that field of future exploration is possible, for the Survey figures report all tax payments.

Business enterprise merely acts as a "pipe line" for the collection of such items as sales taxes; therefore the types of taxes which are "absorbed" almost always amount to less than total payments. However, the total payments reported by the typical business enterprise do not exceed the usual amount of net profit as suggested by various surveys of costs and profits. Furthermore, such surveys commonly show that the wages of labor and the salaries of management each exceed net profits in amount. No general statement can be made about the relative amount of interest payments on borrowed capital, since the importance of borrowed funds varies widely among the several industries and concerns. However, rent, as a payment for borrowed capital equipment, also usually exceeds net profit in operating ratio studies. All these observations, laid end to end, make a pontoon bridge to the conclusion that government's share in the earnings of business is smaller than that of labor, management, capital, or entrepreneur. It seems reasonable this should be so.

WORDS *and* the MAN of BUSINESS



EWING GALLOWAY

Of words that sound alike but differ markedly in meaning, and of how they wander into the wrong places in the English of business men, someone could write a large and rollicking book.

ARTHUR H. LITTLE

MY FRIEND, George B. Sharpe—he was advertising manager, then, for an office-appliance manufacturer—stared at a surprising letter:

Dear Mr. Sharpe:

All right, sir, I can be just as sour as you can.

If you don't want to participate in the publicity project about which I wrote to you early last month, that's O.K. with me. I shall survive the shock.

Meanwhile, however, I suggest that hereafter you try to prevent your disposition from curdling your correspondence.

Very truly yours,

George Sharpe called in his secretary and said to her:

"Here's a guy who's hopping mad about something. What did we ever do to *him*?"

The secretary looked flustered.

"I wondered, too," she said, "until I looked up the carbon of the letter you sent him. I have it here. And—ah—there seems to be a mistake in it. You know how words *sound* alike. Well, I think now that you intended to start your letter by saying, 'Answering rather *tardily* your letter of . . . ' But it didn't come out that way."

"No?" said George Sharpe. "How *did* it come out?"

Wordless, now, the secretary surren-

dered the carbon; and George Sharpe read:

"Answering rather tartly . . ."

Of words that sound alike and even look alike, but differ markedly in meaning, and of how, with surprising results, they wander into the wrong places in the English of business men, someone could write a large and rollicking book. For the uses of such an author, here is another instance:

A publisher, who was answering a prospective advertiser, meant to write that his newspaper had acquired its circulation in diverse ways; but the word that came out of his secretary's



EWING GALLOWAY

Consider the annual report, when management, in pomp and circumstance, takes its pen in hand and speaks its deliberate mind concerning its yearly accounting of stewardship, possibilities, assets, and liabilities.

typewriter and went through to the potential customer was *devious*.

But with these matters, greatly as they tempt us to pursue them further, this discussion is not concerned. We deal here, not with left-handed words that suddenly find themselves batting right-handed, but with words and phrases and sentences that, although they come out of dictation in precisely the form and in the order in which they went in, never seem to hit the ball at all.

Preliminary Toot

Most of us no longer worry about what other and more easily startled commentators call the "deadwood" of business English—whatever business English is! If, in the opening of a letter, a business man feels that, just as if he were playing in an orchestra, he must first tune up, there is in preliminary tootling nothing unconstitutional. If, before he lays hold of his subject, he first must dictate, "Yours of the 5th inst. at hand and in reply would state . . ." his malady is recognized, not as muscle-binding of the brain, but as unthinking obedience to precedent.

And the precedent seems to shadow forth the principle that, even under capitalism, a business enterprise belongs to no one, and no one wants it.

campaign. Throughout the earlier, or covert, stages, the campaign concerns itself most intimately with *our* company, *our* reputation, *our* product, *our* service. Ours! Our product and our program against all competition!

Then comes the overt stage; and the management unveils to public gaze an advertising campaign that sounds as if it had been compounded upon another planet and translated for earthly consumption by a panel of astronomers.

Of the company, the text speaks in the distant third person. Of the product, it speaks as from hearsay.

And where are *we*—we who produce the product and run the works and give the business our lives? We've vanished!

Now an advertisement, it might be argued in extenuation, generally originates outside the business in an advertising agency. And a routine letter—well, a busy man dashes off his letters in a hurry. But when management, itself, having given the matter careful thought, spits on its hands and whacks out an official line of discourse—then, that's different.

Consider the annual report. If ever management speaks its deliberate mind, the occasion presents itself in all its pomp and circumstance when the chairman or the president takes his pen

Consider that form of expression in which business perches itself farthest out on the limb of public attention: consider advertising. I long have observed that one of advertising's most puzzling characteristics is its air of aloofness.

Consider the creation and presentation of an advertising

in hand for his annual accounting of stewardship.

Quite so! And let's examine—

From a background of expensive paper stock, I pluck this:

During the year, reserves have been strengthened and the financial position of your company made more secure.

Strengthened by whom? By whom made more secure? Obviously not by the management of *our* company, else *our* management would have written:

During the year, the management has strengthened the reserves and made more secure your company's financial position.

I quote another sample:

From the beginning of this period of years, attention was concentrated upon measures of economy; and to this end manufacturing and other activities were consolidated wherever possible. Reductions were made in compensation affecting all officers, salaried employees, and wage earners. From the beginning, every possible effort was made to distribute what work was available among the largest number of employees.

And here again we find proof—unhappy proof—that nobody really owns this business. Nobody runs it. Nobody wants it. Here speaks no pride—not even a Spartan kind of personal pride in achievements that must have hurt. Here speaks a management that, were it willing to take the credit or to shoulder the blame, would have written that paragraph like this:

From the beginning of the depression we concentrated on economy. Wherever consolidation was possible, we consolidated activities. We reduced the pay of officers, salaried employees, and wage earners. Consistently, we distributed the available work among the largest number of employees.

And now another, this one, so it happens, even gloomier:

It naturally followed that a shrinkage in volume of such substantial amount presented a problem of first magnitude to the operating organization on account of the vital necessity of maintaining a balanced budget in order that the economic position of the Corporation and its financial strength should not be jeopardized.

Therefore, further reductions in personnel were unavoidable; reductions in salaries and wages likewise; consolidation of operations; in fact, a general re-organization of the Corporation's operating plan

became of vital concern in order that the objectives just mentioned might be realized. This required important sacrifices on the part of not only the executive staff, but of every member of the organization, however or wherever placed.

It is gratifying to be able to state that all these necessary adjustments were accepted in full appreciation of their necessity and with the maintenance of loyalty to the Corporation which has been such an important influence in developing it to the position it now holds.

Now, let's shake the water out of that one and claw out the moss and see what we have. Again we ask: All this by whom? Again we must answer: Not by the management, else the management would have written:

So great a shrinkage presented a major problem. We must balance our budget. We must insure our company's financial strength and its economic position. Unavoidably, we further reduced personnel. We reduced salaries and consolidated operations. We re-organized the corporation's operating plan. The process imposed a sacrifice upon everyone. But every person accepted the sacrifice with understanding and with loyalty.

When management takes its pen in hand, what emerges? Words, words, words! Words too woolly and indistinct. Verbs—and of these more later—too often cast in the passive voice.

When management takes its pen in hand, whether to write a letter, an advertisement, or a formal report, management tends to drool. Further—and now we seem to approach the heart of our quest—management tends to evade. For corporate ills and ailments, management seems to dodge the blame. And for corporate accomplishments and triumphs, management ducks the glory!

Can we assume that management really manages? In the light of management's own language, the assumption dissolves. Must we conclude, then, that industry actually is administered by busy-body elves that slip into the shop in the dead of night, toil like the dickens until the crack of dawn, and then slip out?

We deal, my countrymen, not with a theory, but with a condition—a condition of business thought and business speech. We deal with a conviction,

drilled into the heads of business men by generations of custom, that when business speaks, business must sound businesslike, but not brusque.

We deal with a quality of diction that avoids the keen-edged word lest it sound impolite. And we deal with a kind of thinking that, to soften the impact of its ideas, resorts mistakenly to the backward kind of writing that the passive voice demands.

Re-examine our specimens. Observe how the diction sidesteps. Observe how the passive voice befogs the facts and generates verbosity. Observe how, when we translate from the passive voice to the active, we dispel the fog, reveal the heroes of our sagas—and save no end of space!

Space Saver

"From the beginning of this period of years, attention was concentrated upon measures of economy; and to this end manufacturing and other activities were consolidated wherever possible."

Who did it? *We* did it! Hence we write:

"From the beginning of the depression"—and that's what it is and not a "period of years"—"we concentrated upon measures of economy. Where consolidation was possible, we consolidated."

Who manages this business? We do!

Whose business it is? It's ours—ours and our stockholders.

And whose product do we make and advertise and sell? Ours, by the Lord Harry, and ours alone!

And if we make this thing, why don't we say so?

In the text—

books and in talk of advertising men you'll read and hear of the "psychological you." Your customer's comfort and his convenience and profit and happiness—these, you'll be told, must be your reasons for advertising and the reasons *within* your advertising.

Possibly so. But the Fords, father and son, wrote this about an automobile:

It's quite a car—this Ford V-8—and we'd like you to drive it and see what it can do. Many owners say it's the most completely satisfying car they've ever known.

I'd be the world's last suggester to suggest that all advertising be framed, not in the third person, but in the first—with perhaps, a psychological bow to the psychological second. But when the Fords, father and son, write the word *we* into an advertisement, they do suggest to me that a more generous portion of first-person directness and first-person simplicity and first-person pride-in-product would do business English no real and lasting harm.

Business, I hear, is a man's world.

"The concrete noun and the active verb," ruled Quiller-Couch, "are the touchstones of the masculine style."

Within business and about business, then, let's write, neither as mice nor as pixies, but as men.

We deal with a condition of business thought and business speech, a conviction that business must sound businesslike, but must not sound brusque.

EWING GALLOWAY



Saw dangling from one boot, "topper" W. H. Hamilton descends after cutting off the crown of a tree at Long View, Wash., where he won the world's championship—climbing 100 feet, topping his spar, and descending in eighteen minutes' time.



LUMBER *for the* WORLD; ACTIVE DOLLARS *for the* NORTHWEST

W. H. BERRY

*Manager of the City Department
Seattle Office, DUN & BRADSTREET, INC.*

MAMMOTH forests beget mammoth tales. It is the legend of lumbermen of the Pacific Northwest that they owe their legacy of tall timber to the giant Paul Bunyan. It was he, they maintain, who weary of the stuffy and overcrowded East drove Babe, his blue ox, before him and trekked across the plains and thence to the Rockies. Beyond them he viewed the Cascades. Concluding that the wind blowing in

from the Pacific was too cold for good logging, he then shoveled up the great Olympics, snowy peaks in the clouds, stemming the ocean winds and bringing rain to fertile valleys and hills. Then grew the greatest stand of timber ever known.

It must have been a wonderful sight, these lumbermen agree, to see the first of them at work in his new forests. Right-handed, Paul would wade

through the stands felling 50 and 60 firs at a swing of his ax. Then turning around and walking back, he would get the patches he had missed on the left side. As fast as he could cut and bind them, Babe would drag them off, 80 logs at a haul.

Although they do not count for much among true authorities of lumbering in this Northwest corner, there are other historians who assert that the timber

[22]

was just here in the first place, some time after Genesis. And they go on to note that the first sawmill built on the Pacific Coast was at Fort Vancouver in 1827 under the direction of a factor for the Hudson Bay Company.

From then to the end of the century was a period of increasing demand for lumber for the ever-rising tide of colonists sweeping westward. The center of lumber production in the United States shifted from New England to the Lake States, and after several years of exploitation in that region branched in two main directions, to the Southern pine region and to the Pacific Northwest—the four States of California, Idaho, Oregon, and Washington. In 1893, the transcontinental rail lines in their search for eastbound traffic began quoting reduced rates on lumber from the Northwest to Mid-Western markets. In the same decade the gradual depletion of the timber stands in the Lake States became evident, and with it came the shift in capital and labor westward from Michigan, Wisconsin, and Minnesota.

The beginning of the present century found the State of Washington moving rapidly into first place in lumber production in the United States. As early as 1899 Washington stood sixth among the States of the country in lumber production and in 1906 reached the top of the list. Since then Washington has maintained its rank in every year but 1914, when the cut in Louisiana exceeded that of Washington by a very slight margin. In 1914 the four States of the Pacific Northwest reported 18.3 per cent of the lumber

cut of the country. From that position the Northwest has gained steadily until at the present time this area produces more than 36 per cent of the total output.

In addition to the region's relative gains, its lumbering has enjoyed advances in concert with the rest of the industry in the United States and abroad. And, on the other face of the coin, it has not been able at other times to escape the rigors of cooling trade winds.

A Seller's Market

In general the years from 1900 to the World War were ones of steadily increasing world trade. Great Britain and her colonies were supreme, and all European countries were competing with one another in building a merchant marine. The Columbia River and Puget Sound were full of sailing ships and steam cargo vessels carrying Douglas fir lumber to Australia, the west coast of South America, and other Pacific ports. The domestic market, except for periodic depressions, was still increasing. In 1906 the production of lumber reached an all-time peak of 46 billion feet. It was unquestionably a seller's market.

The Great War came on in 1914 with a precipitous drop in business for some twelve to eighteen months, followed by a still-talked-about market. Prices climbed steeply. The Panama Canal was put in operation shortly after 1918, followed by an increasing United Kingdom and Atlantic Coast trade.

The period from the end of the war to the crash in 1929 was one of con-

flicting tendencies in the lumber business. In 1920 and 1921 a sharp decline was followed by as sharp a rebound, to the extent that 1923 proved to be the best post-war year. The export trade to Japan, China, Australia, United Kingdom, and continental Europe increased rapidly until its peak in 1928-1929. General business was exceptionally good, but lumber showed increasing signs of weakness for a variety of causes. Chief among these might be mentioned: (1) a considerable increase in productive capacity with not much thought as to the waning markets except that the "Lord will provide"; (2) the development of inter-industry competition, from automobiles, radios, and a host of other necessities and luxuries; (3) an increasingly critical attitude on the part of the consumer as to the grade and manufacture of the commodities and articles he was buying; (4) a tremendous increase in competitive building materials. Then, of course, followed several years of depression.

In the past five years the lumber industry has been confronted with many problems: wars, rumors of wars, and trade barriers have curtailed the consumption of foreign markets; at home, the railroads have not returned to their one-time importance as a lumber-user, nor have many other lines of heavy industry; construction has seemed to lag.

Clearly the fortunes of lumbering in

With Mt. Hood in the background, members of the U. S. Forest Service grade a road 7,000 feet up; in case fire wardens have to reach the area. Of 2,197 fires which burned 116,000 acres last year in Washington, 436 were incendiary in origin; 772 were due to careless smokers.

EWING GALLOWAY



the Pacific Northwest are bound up with those of the rest of the industry. But none the less this segment has distinguishing characteristics, which it would be foolish to lose sight of. Here is the heaviest of heavy logging and the especial methods of operation which it requires. Here is a vast rugged terrain with its own problems of haulage. Here are softwoods in great quantity, and here virtually no hardwoods at all. Here, finally, is a region in whose economic machinery lumber is the greatest cog. In Oregon, indeed, it is said that sixty dollars in every hundred are "lumber dollars."

Fir and Hemlock

Majestic Douglas fir is the outstanding species of lumber in the Pacific Northwest. In Washington it accounts for perhaps three-quarters of the total annual production, followed by hemlock which makes up another 15 per cent of the year's cut. In Oregon, Douglas fir is also first, two-thirds of the State's total; hemlock second, amounting to about a fifth. In Idaho white pine and Ponderosa pine are the most important lumber produced. Other softwoods from these States are cedar, spruce, and larch.

The largest and most impressively beautiful stands of timber in the Pacific Northwest are on the Pacific slope of the Cascade Mountains in western Oregon and Washington. Great stands are to be found, too, on the coast ranges of Oregon and in Washington's Olympic Mountains. Washington, because of its extensive cuts for many years, is now second to Oregon in the amount of standing timber.

The rough topography of this country makes lumber a costly and wasteful operation. Heavy expenditures have been required in the building of logging railroads where steep grades and sharp curves make construction difficult and expensive. Damage to falling timber frequently results from logging on rough land, thereby increasing waste and reducing the yield of sawn lumber. Further leading to waste has been hasty

cutting, and this in turn has been prompted by the desire to thin over-mature timber and to lessen taxes, under tax laws which often have acted in such a way as to run contrary to the long-time health of the forests.

Beyond doubt much of the logging in past years has been exploitive, as logging companies have operated with virtual abandon and with little thought to second growth. More recently the attitude behind such operations has seemed to change; into greater favor have come methods which look toward "logging for continuous production," a phrase conspicuous in the keynote speech at the Pacific Logging Congress last October by Walter J. Ryan, president of the Weyerhaeuser Timber Company.

Whatever may be thought of his part in the catch-as-catch-can era of lumbering, the West Coast logging operator makes a splendid contribution to our picture of the composite American industrialist. Generally he is so interested in his work and the results he is obtaining that when he makes notable progress, instead of keeping the ways and methods as trade secrets, he invites in friends and even competitors to see how he does it. When an operator hits on a new wrinkle the whole industry soon knows all about it. From frank and free swapping of experiences in timber cropping, in tree selection for selective logging, and in seed-area selection are emerging procedures which will help insure the permanence of the forest industry and its payrolls.

Equipment

The character of the timber stands has a marked effect on the type of equipment needed. Heavy equipment of a specialized type is required in the logging and sawing of the heavy stands of Douglas fir. Organized as the industry is on a basis of quantity production, emphasis falls upon high-capacity machinery of all kinds. The use of such equipment, first developed in the Northwest, has progressed farther here than in any other region of

the country. It is not unusual for a logging concern with high lead (over-head cable) equipment to get out 1,000,000 board feet in logs in an eight-hour day. It is easy to understand why the lumber industry constitutes the principal industrial market of the Northwest. The investment in manufacturing plants and logging equipment is reckoned in hundreds of millions of dollars.

The Pacific Northwest has the largest group of big lumber mills in the world. Slightly more than 50 per cent of the lumber cut of the State of Washington is handled by mills having an annual production of 50,000,000 or more board feet. This 50 per cent is cut by 8.4 per cent of the mills, a condition which contrasts sharply with that in the Southern pine area or in the Lake States. In

Tall and lance-straight: a stand of giant Douglas firs in Washington, left intact by a logging crew. In 1939 forests are cut less rashly; and States debate taxes which will favor the lumberman who is also a conservationist.

EWING GALLOWAY



Logs starting a ride down the valley to the loader, and ultimately to the mill, where they will be peeled and sliced into boards, rafters, shingles.

Mississippi, for example, only 15 per cent of the cut is handled by mills with annual volume of 50,000,000 board feet, which is in the hands of one-half of one per cent of the mills.

Back in the forests, however, there is in evidence just now a trend toward operations on a small scale. A recent report of the West Coast Lumbermen's Association indicates that the mileage of logging railroad in the Western States and British Columbia has decreased from 6,770 miles in 1928 to 4,870 in 1938, 28 per cent. In the place of large-scale railroad logging is growing small-scale logging by tractors.

In the development of railroad logging, which entailed large initial capital investment, the opportunities for young loggers to go into business for themselves were limited. Meanwhile, trucks and tractors were being improved as rapidly and effectively as were automobiles. The result has been to bring on a new era of opportunity reminiscent of the old days of bull-teams and skidroads.

The lumber industry is the largest single employer of labor in the Pacific Northwest. Approximately 100,000 wage earners are employed in extractive operations. To be counted with them are 5,000 more, executives, salaried officers, and clerical workers.

Labor

Before the World War there was relatively little labor trouble in the lumber industry. During the war, however, the demands of unions were pressed more strongly. Because of the Federal Government's need for a steady supply of labor, an eight-hour day and six-day week were agreed upon. Up until the last few years the general terms of that settlement obtained. More recently the lumber unions have renewed their war-time activities rather vigorously, and there have been several serious strikes.

The total United States lumber cut reported for 1935 amounted to 19,539,000,000 feet, a gain of 26.1 per cent over



EWING GALLOWAY

the preceding year. Preliminary reports for 1936 and 1937 indicate a considerable further increase. Softwood production in the eleven Western States in 1935 was 9,071,000,000 feet, compared with 7,340,000,000 feet in 1934 and a peak of 15,992,000,000 in 1929. Washington maintained its rank among the States as the largest producer, Oregon was second, California third.

The total production of lumber in the Douglas fir region during 1936 is estimated at approximately 6,340,000,000 feet, an increase of 34 per cent over the total in 1935. Production of shingles increased 27 per cent, to 4,408,000 squares, of which Washington's red cedar mills produced 3,555,000. Plywood is another product in which Washington holds first place. Twenty-two mills in that State produced in 1937 more than 700,000,000 square feet, which is approximately 90 per cent of the nation's output. From the Pacific Northwest comes, also, more than half of the domestic lath output.

To be added to the wages which can be traced to this production are those of workers at loading stations and docks. The handling of lumber requires a tremendous amount of labor and provides extensive payrolls in longshoring and stevedoring. To the Middle West and other parts of the interior lumber moves by rail, while to port cities of California, the Atlantic seaboard, and foreign markets the

movement is by water. Export movement of lumber exceeds intercoastal shipments by a wide margin. Approximately two-thirds of the carloadings in Oregon and Washington are forest products.

In the future of lumbering in the Pacific Northwest, and in the future of the region which is so intimately concerned with the fortunes of the industry, three question-marks loom up: diversification of forest products, housing, and reforestation.

Diversification

Thus far the accomplishments in diversifying the output of the industry have been meager in comparison with future possibilities. In many cities of the lumbering region local commercial interests are directing their efforts toward further developing a diversified output based upon mill and logging wastes. Such a development means much to the area as a whole and in particular to those individual communities where cities of from 10,000 to 30,000 or more people have been built largely around this one resource.

The outstanding development in diversifying the production in recent years has been in pulp and paper manufacture. The output of these industries has been marketed in increasing quantities along the Eastern seaboard in competition with the older pulp and paper producing regions of the Lake States and New England. Some of the

large New England paper manufacturers are now using Northwest pulp in their production.

A great deal of misunderstanding prevails in the minds of many with regard to the utilization of waste. A considerable amount of loss from lumbering is almost unavoidable under the conditions encountered in the Northwest. Surveys by competent authorities, however, disclose that considerable amounts of waste in accessible locations could undoubtedly find profitable utilization.

National trends in housing, especially in the building of small homes and the rehabilitation of farmhouses, are followed closely in the Northwest. Reports that 200,000 small houses were constructed in 1936 are eyed solemnly; reports that 2,000,000 new houses are still needed, hopefully.

Cheerfully received are statements such as that made before the Temporary National Economic Committee July 7 by Assistant U. S. Attorney General Thurman W. Arnold. Mr. Arnold cited a report of the Commissioner of Labor Statistics, saying that the country "needed 525,000 housing units per year for ten years in order to maintain even our present inadequate level."

But for a good part of the population here the most dramatic question-mark is the future of the forests themselves.

There were about 80,000 acres of forest land cut over in western Washington last year. These acres are now in productive condition and will be

adding to our supply of forest material each year, if not devastated by fire.

There were 116,000 acres burned in the 2,197 fires reported last year. Most of this large area will be much slower in growing another timber crop than the smaller area of 80,000 cut-over acres which was left in good condition for the growing of trees.

Fifty-seven out of a total of 2,197 fires, or less than 3 per cent, were due to logging operations. There were 772 smokers' fires; 148 campers' fires. There were 436 incendiary fires, one of them burning 10,000 acres of fine young timber that was growing on its way to "saw timber size." Nearly two-thirds of the fires causing the greatest amount of damage to reforested lands in Washington were from inexcusable causes. All were violations of the laws.

As the virgin stands of the Northwest area decrease the possibility of establishing this region as a continuing lumber-raising section presents itself for consideration. By the time appreciable stands of second growth are available for cutting most of the virgin stands of accessibly located timber will probably have disappeared. This second growth will become a resource for two lines of utilization—as saw timber and as material for pulp and paper production. The mild climate and heavy rainfall of western Washington and Oregon enable this area to mature trees in 40 and 50 years of a size which would require 75 to possibly 100 years in many other sections of the country.

If the trend in the Northwest in future years should follow that of certain foreign countries, notably Norway, the utilization in pulp and paper production will exceed that for saw timber. Competent opinion on the subject is somewhat inclined toward this view, provided pulping processes capable of extensive application to Douglas fir are developed.

The perpetuation of the lumber industry of the Pacific Northwest on a sustained yield basis constitutes a problem in which the skill and co-operation of private and governmental interests must be combined. Realizing the need of sound and encouraging legislation, the States of Washington, Oregon, and Idaho in very recent years have adopted policies for the conservation of this important resource.

Reforestation

Most of the larger lumber and paper companies now operate on a reforestation basis. Taxation systems have been reorganized with a view to relieving reforested areas of an annual tax burden and placing the assessment upon a yield basis. In many communities the adoption of this policy has required extensive consideration of its effect upon local revenue from taxation, and this in turn has delayed the adoption of legislation until recent years. In all these States taxation upon reforested areas has been placed at a very nominal charge. The most insistent demand from the lumber industry is now for similar reform in the taxation on standing timber.

The future of the forests rests with the care of the public, intelligent protection and taxation by governmental bodies, and foresight in directing operations by the lumber companies themselves. With these helps the forests may be maintained indefinitely. And out of them can come future activity and growth for the Northwest, timber and pulp for old and new industries, and lumber for the new homes which sooner or later the nation must have.

A massive yellow pine log, centuries old, now on its way to the sawmill from a forest of northern California.



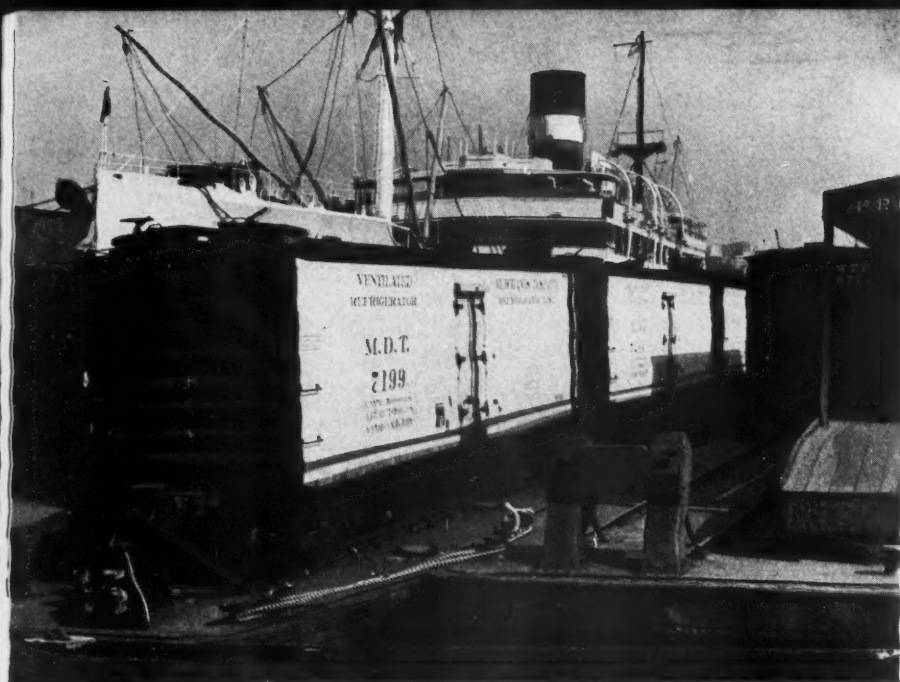
THE BUSINESS DIARY JUNE : 1939



Congress tries to rush adjournment but neutrality and monetary bills prove major snags, with silver a knotty problem. . . . TNEC turns from insurance to construction inquiry. . . . Stock markets depressed by European outlook as the world shifts eyes from Tientsin to Danzig. . . . Anglo-French-Soviet pact continues to hang fire. . . . United States enthusiastically welcomes British sovereigns. . . . Graduations and weddings provide local divertissements.

- 3 PRESIDENT signs amendment to National Housing Act, raising mortgage insurance limit from \$3,000,000,000 to \$4,000,000,000.
- 4 HOMER MARTIN's independent UAW votes to rejoin AF of L.
- 5 SUPREME COURT rules States can still ratify child labor amendment proposed fifteen years ago; voids Hague ban on CIO, upholding right of free speech; validates Agricultural Marketing Agreement Act of 1937 and Federal milk marketing programs; adjourns.
- 6 STOCKS advance to highest level since March. Edward J. Noble nominated as Under Secretary of Commerce.
- 8 WASHINGTON warmly greets the British monarchs. President signs joint resolution making Reorganization Plans I and II effective July 1. Cotton prices hit new season-high. ICC announces revised set-up and election of Commissioner Eastman as chairman for three-year term starting July 1. Briggs Manufacturing Company resumes operations as strike ends. Michigan law signed requiring five days' notice of intent to strike.
- 9 BRITISH majesties given gala reception in New York. Department of Agriculture forecasts this year's wheat crop as smallest since 1936 drought season.
- 12 BASEBALL's one hundredth anniversary celebrated at Cooperstown, N. Y.
- 13 JAPAN starts blockade of British and French concessions in Tientsin.
- 14 FCC report urges Congress to expand AT & T regulation.
- 15 INFLATION bloc in Congress opens drive for \$2,000,000,000 issue. Mixed Claims Commission finds Germany guilty of sabotage and fraud in Black Tom case. Hitler puts Reichsbank directly under his orders and eliminates alien shareholders.
- 16 NATIONAL Bituminous Coal Commission sets Appalachian prices at \$1.15-\$3.35 per ton.
- 19 NAM urges Senate Committee to make eleven changes in Wagner Act. Illinois Supreme Court holds picketing by non-employees illegal. Pennsylvania Supreme Court declares chain-store tax law invalid.

- 21 NLRB changes rules covering union disputes on majority control, allowing employers to petition for elections. Lou Gehrig's active baseball career ended by infantile paralysis.
- 22 ROOSEVELT proposes new Federal "lending-spending" program of \$3,860,000,000.
- 23 PRESIDENT nominates Jesse H. Jones as head of new Federal Loan Agency; John M. Carmody as head of Federal Works Agency. New Food and Drug Act becomes law. Anglo-American agreement signed providing exchange of British rubber for United States cotton.
- 26 SENATE passes Monetary Bill voiding Roosevelt control of dollar; raising domestic silver price 13 cents; ending purchase of foreign silver.
- 27 WORLD silver prices break following Senate action; Treasury cuts imported silver price to 40 cents. Roosevelt denounces devaluation curb.
- 28 HOUSE backs Roosevelt on dollar devaluation, voting conference action. Dixie Clipper inaugurates first regular commercial passenger service over North Atlantic. Louis knocks out Galento in fourth round.
- 29 CONGRESSIONAL conferees vote to restore Administration's monetary powers; peg domestic silver price at 70 cents; reinstate buying abroad. Stocks fall one to three points in sharpest break since April. President signs Revenue Bill of 1939 revising corporate taxes and eliminating Undistributed Profits Tax. Britain warns Reich she is ready for war "in the event of further aggression."
- 30 RECORD \$1,194,000,000 Agriculture Bill and three-year extension of Connally "Hot Oil" Act signed by President. \$1,755,000,000 Relief Bill, restricting Federal program, passed by Senate and House. Senate filibuster kills Monetary Bill. House retains arms embargo as Neutrality Bill passes. Government fiscal year ends with largest New Deal spending record and public debt at a new high. Lower Eastern railroad fares become effective as travellers prepare to celebrate the Fourth at non-home bases.



MODERN SHIPPING, PECK SLIP, EAST RIVER, N. Y.—CUSHING

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

In industry and in trade there were substantial gains made in June, and continued improvement, after seasonal allowances, was apparently indicated by the less inclusive weekly reports for the first three weeks of July. The output of steel and automobiles was particularly favorable. In trade as well as in industry orders for present needs and future commitments were encouraged by low inventory positions.

AS the statistical record for June is completed, it is evident that industrial production turned upward after a decline that has lasted since the first of the year. By the most commonly used general measure, the Federal Reserve Board's seasonally adjusted

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	101
February	94	116	79	98
March	93	118	79	98
April	101	118	77	92
May	101	118	76	92
June	104	114	77	97
July	108	114	83	
August	108	117	88	
September	109	111	91	
October	110	102	96	
November	114	88	103	
December	121	84	104	

index, the June level was 97 compared with a last Winter's high of 104 (December) and a 1938 low of 76 (May).

The index figure for any one month is not sure evidence of a change in the direction of the production curve. Reports for the first half of July are in general favorable although the extra day's holiday taken by so many this year has somewhat confused the record.

Steel ingot production in June reached 53 per cent of capacity, a level 6 points higher than in May, but still well below last Winter's peak of 60 in December. After the holiday interruption, increased activity continued in July, going to 56 per cent in the third week, a 1939 high.

Automobile production, which seasonally declines at this time, has held up well even though retooling for next year's models is scheduled earlier than in other years. The index of machine tool orders (1926=100), usually a good all-around industrial barometer, after reaching a two-year peak in May of

Factory Payrolls

U. S. B. L. S. Index (Revised)
1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	83.4
February	76.6	99.7	76.0	85.4
March	80.3	105.5	77.1	86.0
April	82.3	109.3	74.6	84.9
May	83.9	109.7	72.9	84.4
June	84.1	107.0	70.8	
July	83.4	104.6	70.6	
August	87.1	108.2	76.9	
September	86.9	104.4	81.0	
October	92.5	104.5	83.8	
November	94.0	92.9	84.1	
December	98.8	84.2	86.5	

220, dropped to 212 in June, still a high figure. July bookings are reported large.

At the end of the third week of July the picture in most industries was one of well-sustained activity sometimes at a level slightly below that of June, but all-in-all substantially higher after correction for the normal downward seasonal trend and the holidays. Comparisons with a year ago are pleasing and in some lines almost dramatic, for June 1938 was the low point of most of the statistical series measuring production activity. In several lines, there are reported worthwhile backlogs of orders.

Reports of activity in the construction field are currently less optimistic although activity is still at a high level. The totals for building contracts and for engineering contracts were lower in June than in May. A decrease in the amount of publicly-financed work is largely responsible; it partly represents completion of WPA projects. For the half year just completed it is estimated that construction contracts were about 30 per cent larger than in 1938; 13 per cent above 1937.

With increased industrial activity has come a slight increase in factory payroll totals and an increase in employment. In June decreases in clothing and millinery shops were counteracted by gains in the food preserving industry, in the

railroads, and in the fur, leather, and rubber goods industries. The American Federation of Labor reports a decrease from May to June of 1 per cent in the number of union members unemployed. The June figure for all trades is 11 per cent unemployed compared with 19 per cent in June 1938 and with the same figure, 11 per cent, in June 1937.

During the half year farmers' incomes have held up well; increased government benefits have offset declines in marketing receipts, so that total cash income both for the six months and currently is close to the 1938 level. National income payments of all kinds are estimated by the U. S. Department of Commerce to have been 3 per cent higher this half year than in the first half of 1938; 4 per cent less than in 1937.

During the half year there has been a well-sustained trade activity probably averaging 5 per cent higher in dollar totals than in 1938. Consumers' durable goods have run well ahead; one-

upon in the pages immediately following.

During the first half of July the level of trade was maintained at an average of from 7 to 11 per cent above last year, according to preliminary estimates. Activity in the third week of the month seemed on the whole moderately lower than in the preceding two weeks. Wholesale buying gathered momentum up to mid-July; caution was by no means cast overboard but the demand had increasing strength.

Bank debits for 140 cities outside New York were in June 6.5 per cent above May; 3.6 per cent above June 1938. Weekly totals for July indicated no drop in the general level and a somewhat greater lead over the correspond-

year ago in most instances. In general the grains continue weak; both wheat and corn established new lows. Foodstuffs averaged 12 per cent under a year ago on July 20; potatoes stand out as an exception with prices 30 per cent above the year ago figure.

For the third week of July the USBLS weekly index (charted at the left) stood at 75.5. The DUN & BRAD-

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	Apr. 1939	May 1939	June 1939	July 1939
I	136.93	130.75	137.21	132.63
II	128.03	132.61	138.81	133.13
III	126.21	130.27	136.54	136.47
IV	127.57	134.61	137.21	
V	128.31			

Wholesale Commodity Prices

U. S. B. L. S. Index—1926 = 100

Week	Apr. 1939	May 1939	June 1939	July 1939
I	76.5	76.1	75.7	75.5
II	75.9	76.4	75.6	75.6
III	75.8	75.9	75.4	
IV	76.0	75.8	75.5	
V	76.1			

STREET price indexes are reported on page 39.

June was not an exciting month for those who are concerned with Wall Street activities. On no single day did total stock transactions on the New York Stock Exchange exceed 1,000,000; the daily average was 460,145, lower even than the May figure of 497,508. July volume started at low levels but jumped up with three over-1,000,000-transaction days on July 17, 18, and 19. Average price levels drifted lower during June but showed strength during the first two weeks of July, going up in the middle of the month to levels not reached since March.

At the close of the week of July 17-21, as this is written, the market shows less buoyancy than earlier in the week with price levels slightly lower. The industrial stock price index figure for the week (to be added to the chart above) is 143.07.

Reserves of member banks expanded further in June, going to an all-time high now well over 10 billion dollars. The gold inflow decreased somewhat but continued to affect the expansion of reserves as did the omission of Treasury financing. The weekly figures for bank loans to agriculture, commerce, and industry show little variation from the low level that has existed for more than a year.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	81	93	90	88
February	83	95	88	87
March	84	93	86	88
April	84	93	83	88
May	87	93	78	85
June	89	93	82	87
July	91	94	83	
August	86	92	81	
September	88	94	86	
October	90	93	84	
November	94	91	80	
December	92	89	89	

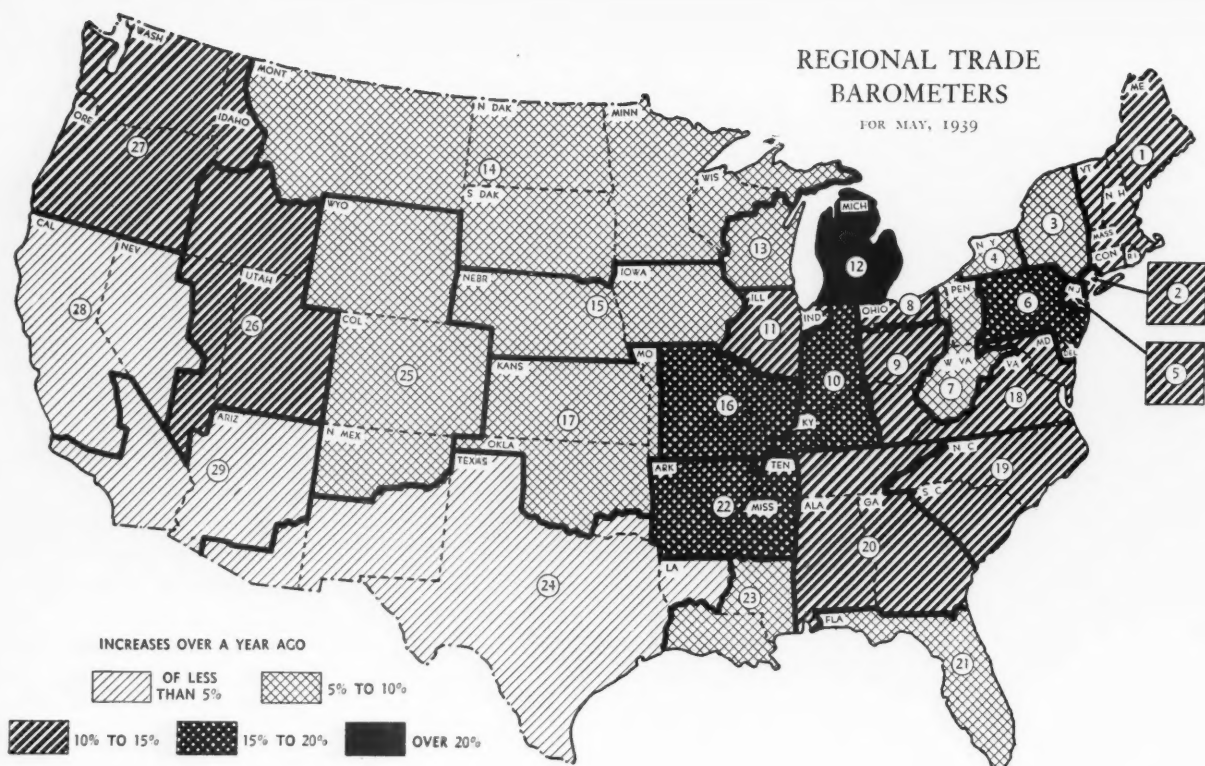
sixth higher reports the U. S. Bureau of Foreign and Domestic Commerce. Sales of new passenger cars exceeded those in the first six months of last year by 40 per cent or more and June sales held up well.

In June department store sales were 5 per cent ahead of a year ago and the decrease from May—4.5 per cent—was less than the normal seasonal decrease. Chain-store and mail-order volumes held up well with notable gains over a year ago. DUN'S REVIEW's index of all consumer buying (preliminary), seasonally corrected, indicates a slight decrease from May to a June level 16 per cent above last year; it is reported

ing weeks of last year. Postal receipts dropped slightly from May to June with the June figure some 6 per cent above a year ago. Total life insurance written in June was 25 per cent above that written in June 1938. This, however, includes a large increase in group insurance which went to 194 million dollars. The half year total went up 3.9 per cent.

Prices continued to drift lower with little change in the trend which has continued since a year ago. The U. S. Bureau of Labor Statistics index of 813 commodities stood at 75.5 for June (middle of the month; 1926=100) compared with the July 1937 peak of 87.9, the year ago level of 78.3, and the January 1939 level of 76.9. The same tendency guided indexes reflecting prices of finished products, raw materials, and semi-manufactures and with few exceptions the prices of most commodities.

Weekly reports in July showed hides, rubber, and most textile materials holding steady with good increases over a



TRADE VOLUME VARIES LITTLE

The United States Trade Barometer dropped to 82.7 (preliminary) in June from 83.9 in May. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

DESPITE a general reduction in retail buying in the first part of July, due to the extended Fourth of July holiday week-end, no decided changes in the volume of consumer purchasing were in evidence. Encouraged by the active trade of the previous few weeks, retailers were less hesitant about placing orders with wholesalers and manufacturers, both to supply seasonable merchandise for current needs, and to fill Fall requirements. Smaller inventories contributed to the number of favorable trade factors.

Sportswear and vacation necessities continued to reflect the largest amount of retail demand. Amusements, hotels, and transportation agencies benefited considerably from a heavier-than-average Fourth of July holiday trade.

The month of June is probably best characterized as having retained most of the gains which had been made in May. Rainy weather was a blameworthy element in many regions in the levelling off of retail activity, although a

seasonal slackening was to be expected, even with the existence of more favorable shopping conditions. Good comparisons with a year ago continued to be made, and in some lines—notably camping goods, sportswear, luggage, cameras, electric fans, refrigerators, and automobiles—increased volumes of sales were recorded.

Wholesale markets in both June and early July reflected an increased optimism on the part of retailers. During June, the chief emphasis was on re-orders of Summer wares, but as the next month proceeded, more retailers gave their full attention to new Fall lines. Activity was substantially ahead of the similar 1938 period.

An improvement in the trade level for the country was reflected in the advance of the United States Trade Barometer from 83.1 in April to 83.9 in May. In comparison with last year, the May index was up 12 per cent, whereas the year-to-year increase for April had been only 8.3 per cent.

The index is now at a level only slightly below that reached in February of this year.

Eighteen of the twenty-nine regions reported increases in trade activity from April to May. St. Louis and Salt Lake City each showed an increase of about 11 per cent, and Philadelphia trade advanced 7 per cent. Four regions had gains of 3 to 6 per cent, and the rest were less than 3 per cent.

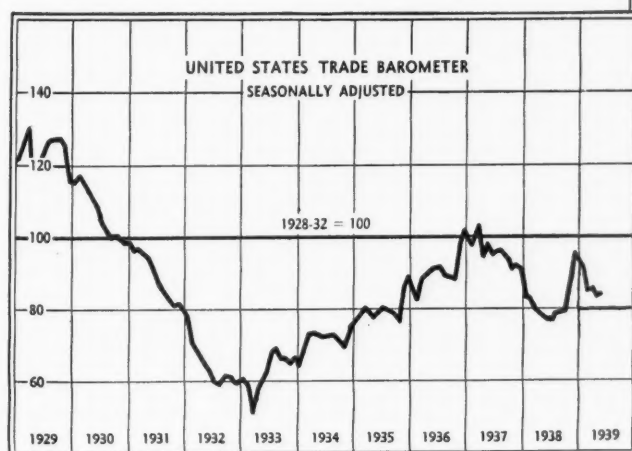
Of the regions registering declines from April, Milwaukee showed the largest drop at 9 per cent. All of the other decreases were 3 per cent or less.

Every region's index was above the corresponding period of last year. Detroit's 30.8 per cent increase was the largest, and the Indianapolis and Louisville gain of 20 per cent was second. Five of the regional barometers were more than 15 per cent above last year's level. The smallest gain, 4.3 per cent, was made in San Francisco, while Texas and Los Angeles each reported a comparatively small gain of 4.8 per cent. Thirteen regions registered increases over 1938 of less than 10 per cent. Four regions, all in the South, had indexes exceeding the 1928-1932 average.

THE MAP AND CHART compare the May, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 32-35. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for May based on samples of department and retail stores reporting to the Federal Reserve banks; for June and for the first half of July based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	May 1939 Regional Index	May 1939 Compared with May 1938 (%)	Retail 1935 Sales %
U. S.	83.9	+12.0	100.0
1. NEW ENGLAND	74.2	+11.6	7.8
2. NEW YORK CITY	71.9	+10.4	10.3
3. ALBANY AND SYRACUSE	85.2	+ 9.9	2.6
4. BUFFALO AND ROCHESTER	74.0	+ 9.8	1.9
5. NORTHERN NEW JERSEY	75.3	+10.1	2.9
6. PHILADELPHIA	82.3	+17.4	6.2
7. PITTSBURGH	75.5	+ 9.4	3.7
8. CLEVELAND	84.1	+13.6	2.9
9. CINCINNATI AND COLUMBUS	89.2	+11.5	3.1
10. INDIANAPOLIS AND LOUISVILLE	97.7	+20.0	2.6
11. CHICAGO	86.3	+14.6	6.4
12. DETROIT	79.9	+30.8	4.0
13. MILWAUKEE	82.1	+ 5.9	2.2
14. MINNEAPOLIS AND ST. PAUL	92.7	+ 8.8	4.5
15. IOWA AND NEBRASKA	73.8	+ 9.5	3.0
16. ST. LOUIS	93.4	+18.2	2.5
17. KANSAS CITY	90.7	+ 9.7	3.6
18. MARYLAND AND VIRGINIA	98.7	+11.0	3.8
19. NORTH AND SOUTH CAROLINA	102.7	+11.9	2.1
20. ATLANTA AND BIRMINGHAM	106.5	+14.4	3.5
21. FLORIDA	110.3	+ 7.6	1.3
22. MEMPHIS	93.5	+16.3	1.5
23. NEW ORLEANS	98.4	+ 8.3	1.0
24. TEXAS	106.4	+ 4.8	4.5
25. DENVER	99.3	+ 8.1	1.3
26. SALT LAKE CITY	98.1	+13.3	.8
27. PORTLAND AND SEATTLE	83.9	+11.6	2.7
28. SAN FRANCISCO	87.6	+ 4.3	3.4
29. LOS ANGELES	83.6	+ 4.8	3.9

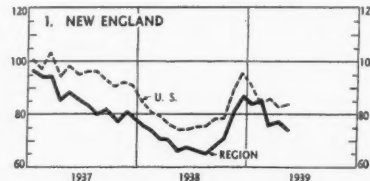
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the March,

1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.

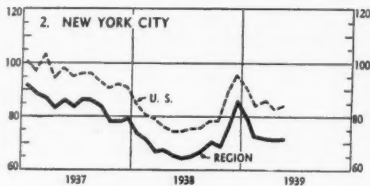
1. NEW ENGLAND

MAY, 74.2 APR., 76.7 MAY 1938, 66.5
MAY—Percentage department store sales increases over previous May: Boston 9, Providence 15, New Haven 9. JUNE—Percentage retail trade increases over previous June: Bangor-Portland-New Haven 5, Manchester 0, Boston 8, New Bedford-Hartford 10, Worcester 7, Providence 3; Springfield trade off 2% from a year ago. Wholesale trade increases: Portland-Boston 5, Springfield 3. Crop yield below last year because of lack of rain. Farm prices high. Payrolls and production steady to above last year. Shoe factories report good volume of Fall orders with prices steady. Collections fair. JULY—Cotton deliveries excellent; advance buying hesitant.



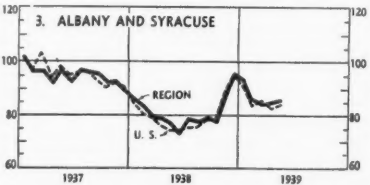
2. NEW YORK CITY

MAY, 71.9 APR., 71.2 MAY 1938, 65.1
MAY—Percentage department store sales increases over previous May: New York and Brooklyn 7, Bridgeport 11, Westchester-Stamford 17. JUNE—Percentage retail trade increases over previous June: Bridgeport 5, New York City department store sales 3, parcel deliveries 4, hotel sales 28. New York City employment down 3% from May, payrolls off 1%, due principally to continued seasonal curtailment in clothing and millinery manufacturing. Bank clearings down 11% from a year ago in New York City, up 15% in Westchester County. Collections steady with May, poor in comparison with last year. JULY—Retail sales steady, moderately above last year. Apparel manufacturing in advance of a year ago.



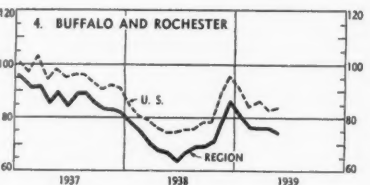
3. ALBANY AND SYRACUSE

MAY, 85.2 APR., 85.0 MAY 1938, 77.5
MAY—Percentage department store sales changes from previous May: Northern State -2, Central State +11, Syracuse +15. JUNE—Percentage retail trade increases over previous June: Albany 5, Binghamton 8, Utica 6, Syracuse 12. Wholesale trade increases: Albany 5, Syracuse 2. Fruit crops good; hay crop below normal. Farm prices generally lower than a year ago. Payrolls and production above last year's level. Vacations caused slowing down in some factories. Slipper and shoe manufacturing substantially above a year ago. Textile industry slightly improved. Collections fair. JULY—Consumer goods manufacturing continued to show moderate increase. Durable goods, except building, lagging behind 1938.



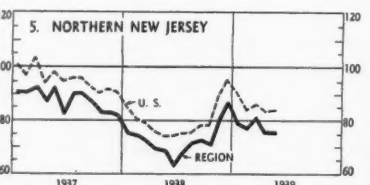
4. BUFFALO AND ROCHESTER

MAY, 74.0 APR., 75.8 MAY 1938, 67.4
MAY—Percentage department store sales increases over previous May: Buffalo-Rochester 11, Niagara Falls 7. JUNE—Percentage retail trade changes from previous June: Buffalo +5, Jamestown +6, Elmira -5, Rochester +7. Trade in Elmira hampered by street repairs. Buffalo wholesale trade showed gain of 3% over a year ago. Fruit crops in good condition; pea crop short; moisture needed badly. Farm prices fair. Payrolls and production generally above last year. Steel output scheduled at about 35% of capacity, as compared with 28% a year ago. Collections fair to good in comparison with last year and with previous month. JULY—Retail sales about 3% above last year. Employment down slightly.



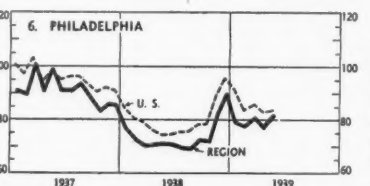
5. NORTHERN NEW JERSEY

MAY, 75.3 APR., 75.1 MAY 1938, 68.4
MAY—Northern New Jersey department store sales 4% below previous May level. JUNE—Newark retail trade up 4% from previous June; wholesale trade shows gain of 6% over a year ago. Retail and wholesale trade up 2 and 4% respectively from May. Bank clearings show gain of less than 1% over a year ago in Newark; for Northern New Jersey as a whole a 17% drop was recorded. Production, sales, employment, and payrolls all show increases over May and over the corresponding period last year, although manufacturing activity was described as spotty. Collections improved in retail and manufacturing divisions, steady in retail. JULY—Department store sales 5% above 1938. Wholesaling and industry steady.



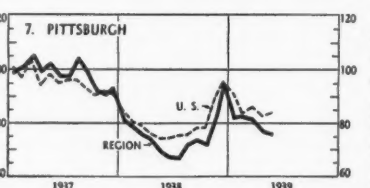
6. PHILADELPHIA

MAY, 82.3 APR., 76.7 MAY 1938, 70.1*
MAY—Percentage department store sales increases over previous May: Philadelphia 21, Trenton 14, Scranton 9, Harrisburg 1, Wilmington 20. JUNE—Percentage retail trade changes from previous June: Trenton +7, Allentown-Williamsport +10, Philadelphia-York +6, Reading +9, Scranton -2, Wilkes-Barre +3, Harrisburg -5, Wilmington +8. Philadelphia wholesale trade 7% above a year ago. Prolonged dry spell hindering crop development. Payrolls and production vary. Manufacturers of knitted sweaters started to fill Fall orders. Pottery industry substantially above last year. Rubber manufacturing also improved. Collections vary. JULY—Summer dullness noted in retail trade. Manufacturing spotty. * Revised.



7. PITTSBURGH

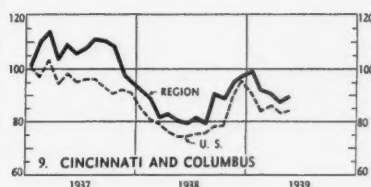
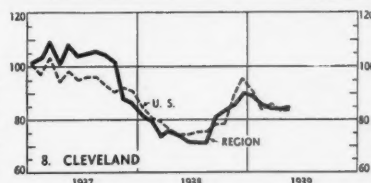
MAY, 75.5 APR., 76.8 MAY 1938, 69.0
MAY—Percentage department store sales increases over previous May: Pittsburgh 14, Wheeling 12, West Virginia State 15. JUNE—Percentage retail trade increases over previous June: Erie-Youngstown-Huntington-Charleston 5, Pittsburgh 4. Wholesale trade changes: Erie-Pittsburgh +8, (Continued directly opposite)



Charleston -5. Weather conditions favorable for crops. Industrial comparisons mostly good because of low activity last year. Payrolls and production steady to above 1938. Steel operations steady with May. Coal industry operating at a below-normal level. Collections vary. JULY—Department store sales approximately 7% above a year ago. Wholesale re-orders more numerous than last year. Industry spotty.

8. CLEVELAND

MAY, 84.1 APR., 83.6 MAY 1938, 74.0
MAY—Percentage department store sales increases over previous May: Cleveland 17, Akron 29, Toledo 20. JUNE—Percentage retail trade changes from previous June: Cleveland +11, Akron-Toledo +15, Canton +20, Lima -5. Wholesale trade increases: Cleveland-Akron 8, Toledo 9. Precipitation normal; produce and truck gardens in good condition; corn, beans, peas, and other vegetable crops promising. Payrolls and production steady to above last year and last month. High production level maintained in iron, steel, automotive, screw machine, rubber, and cement industries. Collections fairly good. JULY—Department store sales about 3% above 1938 level. New car sales increased. Building active.



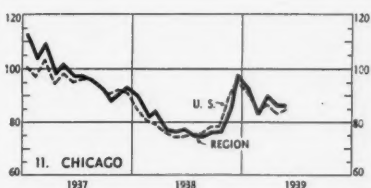
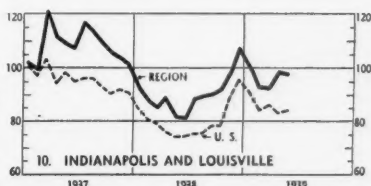
9. CINCINNATI AND COLUMBUS

MAY, 89.2 APR., 87.8 MAY 1938, 80.0
MAY—Percentage department store sales increases over previous May: Cincinnati 15, Dayton 46, Columbus 19. JUNE—Percentage retail trade increases over previous June: Cincinnati 8, Dayton 15, Springfield 3, Columbus 6, Zanesville 10, Lexington 1. Wholesale trade changes: Cincinnati +10, Columbus -10. Prospects for corn and wheat yields generally good. Blue grass crop short, but price improved. Low prices continued on poultry and eggs. Industrial activity quiet, moving upward gradually. Payrolls and production steady to above last year's levels. Collections fair to good. JULY—Retail sales averaged about 5% above last year. Wholesale dry goods volume increased slightly.

11. CHICAGO

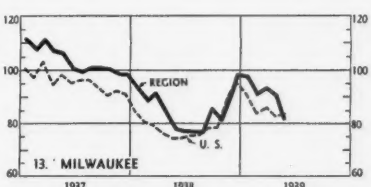
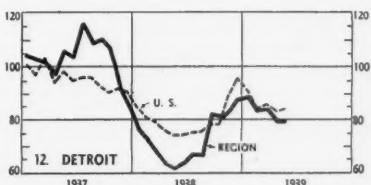
MAY, 86.3 APR., 87.0* MAY 1938, 75.3
MAY—Chicago department store sales 8% below corresponding month of last year. JUNE—Percentage retail trade increases over previous June: Chicago 6, Rockford-Peoria 5, South Bend 25. Chicago wholesale trade up 4% from the year-ago level. Oat crop practically a failure due to lack of moisture. Corn looking unusually fine. Wheat and corn prices improved; hog prices down. Payrolls and production steady to above last year. Furniture activity slow. Machine tool business better than in May. Gain in automobile manufacturing. Collections steady to good in comparison with last year. JULY—Improvement in both wholesale and retail sales following the Fourth of July holiday.

* Revised.



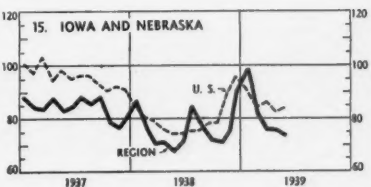
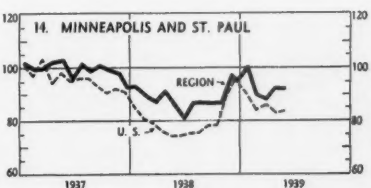
12. DETROIT

MAY, 79.9 APR., 79.4 MAY 1938, 61.1
MAY—Detroit department store sales about 29% above previous May level. JUNE—Percentage retail trade increases over previous June: Detroit 12, Grand Rapids 10, Saginaw 5. Wholesale trade increases: Detroit 15, Grand Rapids 8. Berry crop heavy; quality good; prices fair. Payrolls and production steady to above May; up in comparison with same period of 1938. Automobile body strike curtailed production during early part of month, but losses regained in last weeks. Furniture factories reported satisfactory bookings of orders. Collections good. JULY—Retail volume continued 15 to 18% above last year. Wholesalers report smallest carry-over of Summer goods in years.



13. MILWAUKEE

MAY, 82.1 APR., 90.2 MAY 1938, 77.5
MAY—Milwaukee department store sales 11% above previous May. JUNE—Percentage retail trade increases over previous June: Milwaukee 8, Madison 5, Green Bay 3. Milwaukee wholesale trade up 5% from a year ago. Corn in good condition; hay crop improved and much of it cut and cured; small grain making good progress. Prices generally low. Payrolls and production steady to above last year. Paper mills operating full time. Employment increased in agricultural implements, heavy machinery, machine tools, electrical appliances, beer and malt industries. Shoe orders increased. Collections fair. JULY—Retail sales up 5% from June and 28% from a year ago. Transportation agencies report unusually heavy travel.

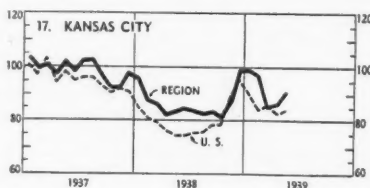
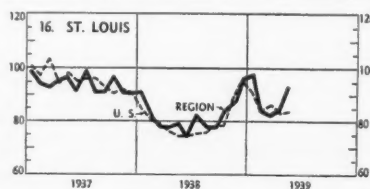


15. IOWA AND NEBRASKA

MAY, 73.8 APR., 76.1 MAY 1938, 67.4
MAY—Omaha department store sales 12% above previous May. JUNE—Percentage retail trade changes from previous June: Cedar Rapids +4, Davenport-Omaha -5, Dubuque +5, Waterloo +10, Des Moines-Lincoln 0, Sioux City +7. Wholesale trade changes: Sioux City +8, Des Moines 0, Omaha -4. Corn crop in excellent condition. Small grains only fair, due to drought in the Spring. Winter wheat crop about 60% of normal. Tobacco crop good. Production and payrolls steady to above last year. Heavy machinery manufacturing active. Food processing somewhat slower. Meat packing reflecting increase in livestock. Collections vary. JULY—Wheat harvesting begun. Retail trade 12% below June, 5% below 1938.

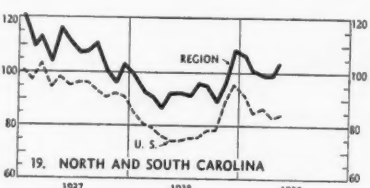
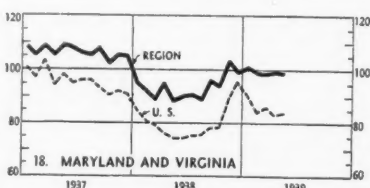
16. ST. LOUIS

MAY, 93.4 APR., 84.2 MAY 1938, 79.0
MAY—Percentage department store sales increases over previous May: St. Louis 17, Springfield (Mo.) 21, Quincy 20. JUNE—Percentage retail trade changes from previous June: St. Louis +12, Springfield (Mo.)—Quincy +8, Springfield (Ill.)—10. St. Louis wholesale trade up 5% from a year ago. Corn growth more advanced than usual. Outlook for tree fruits good. Prospects for marketing of vegetables quite favorable. Wheat being harvested. Production and payrolls generally steady to above last year. Shoe industry reports sales volume under 1938. Collections vary. JULY—Retail sales averaged about 10% above the 1938 level. Vacation goods made best showing. Wholesale trade rather quiet.



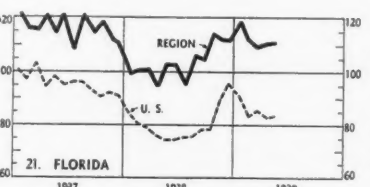
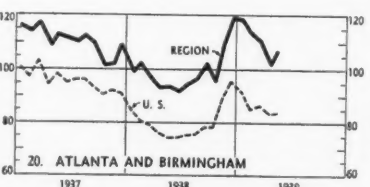
17. KANSAS CITY

MAY, 90.7 APR., 86.1 MAY 1938, 82.7
MAY—Percentage department store sales increases over previous May: Kansas City 12, Wichita 8, Oklahoma City 9, Tulsa 2. JUNE—Percentage retail trade changes from previous June: Kansas City +1, St. Joseph —5, Topeka +10, Wichita 0, Oklahoma City +3, Tulsa +5. Wholesale trade changes: Kansas City 0, Oklahoma City +3. Heavy rains delayed wheat harvest; crop prospect rather poor. Corn crop looks best in years. Payrolls and production steady to above last year. Aircraft manufacturing active. Building industry holding up exceptionally well. Collections fair to good. JULY—Employment conditions steady. Loss of wheat not as great as at first indicated. Little change in retail sales.



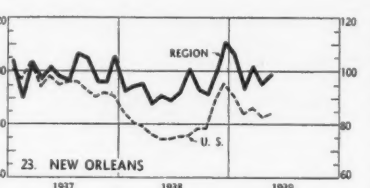
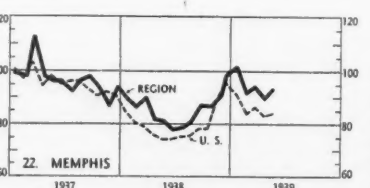
18. MARYLAND AND VIRGINIA

MAY, 98.7 APR., 99.2 MAY 1938, 88.9
MAY—Percentage department store sales increases over previous May: Baltimore 15, Washington 19, Richmond 13, Virginia State 14. JUNE—Percentage retail trade increases over previous June: Baltimore—Bristol 4, Washington—Roanoke 6, Norfolk 5, Richmond 7, Lynchburg 10. Wholesale trade increases: Baltimore 2, Norfolk—Richmond 5. Fruit prospects poor; peaches 25% below ten-year average. Weather conditions good for small grains. Payrolls and production steady to above last year. Shoe manufacturing up 33% from a year ago. Overall manufacturing gained 20 to 25% from 1938. Tobacco manufacturing above last year. JULY—Vacation goods reflected greatest retail demand. Wholesale buying above 1938.



20. ATLANTA AND BIRMINGHAM

MAY, 106.5 APR., 103.3 MAY 1938, 93.1
MAY—Percentage department store sales increases over previous May: Atlanta 12, Birmingham 6, Montgomery 4, Chattanooga 13, Nashville 20. JUNE—Percentage retail trade increases over previous June: Atlanta 11, Augusta—Chattanooga 5, Columbus—Birmingham 15, Macon—Savannah—Nashville 10, Montgomery 32, Knoxville 0; Mobile trade off 5%. Wholesale trade increases: Atlanta 15, Birmingham 2, Nashville 10. Condition of cotton and corn crops good. Potato and cabbage harvest about completed. Heavy rains caused some damage. Payrolls and production steady to above last year. Textile lines, particularly work clothing, improved steadily. JULY—Department store sales about 7% above last year.



22. MEMPHIS

MAY, 93.5 APR., 89.7 MAY 1938, 80.4
MAY—Percentage department store sales changes from previous May: Memphis +13, Fort Smith —6, Little Rock +12. JUNE—Percentage retail trade changes from previous June: Memphis +5, Fort Smith —5, Little Rock +8. Memphis wholesale trade up 5% from previous June. Good weather generally benefited corn and cotton crops. Peach crop estimated above last year. Farm prices steady. Payrolls and production steady to above last year. Lumber activity increasing somewhat, due to large Government construction program. Good volume of orders at Chicago furniture mart; production for early Fall delivery started. Collections fair to good. JULY—Some slackening noted in department store sales. Lumber active.

19. NORTH AND SOUTH CAROLINA

MAY, 102.7 APR., 98.8 MAY 1938, 91.8
MAY—Percentage department store sales increases over previous May: North Carolina 8, South Carolina 12. JUNE—Percentage retail trade changes from previous June: Asheville —2, Winston-Salem +13, Charlotte +3, Wilmington 0, Charleston —5, Columbia +10, Greenville +33; Raleigh retail trade up slightly. Charleston trade depressed by infantile paralysis scare. Wholesale trade changes: Wilmington—Winston-Salem 0, Charleston —3. Tomato and cucumber shipments continue to bring good prices. Growing cotton in satisfactory condition. Payrolls and production steady to above last year. Summer slackening in textile field. Collections fair. JULY—Retail trade volume 10 to 15% above last year.

21. FLORIDA

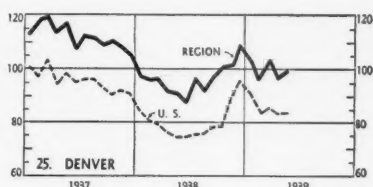
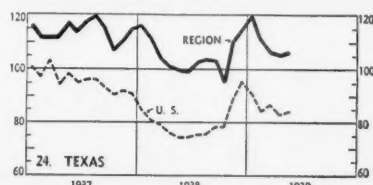
MAY, 110.3 APR., 110.1 MAY 1938, 102.5
MAY—Florida department store sales about 7% above previous May. JUNE—Percentage retail trade increases over previous June: Jacksonville 6, Miami 5, Tampa 13. Wholesale trade increases: Jacksonville 7, Tampa 8. Automobile sales active. Building material trade well above last year. Citrus shipments lower, but prices higher. Vegetable shipments light, consisting mostly of watermelons, egg plant, and peppers. Production and payrolls steady to above last year. Lumber sales and prices steady with May. Cigar industry also steady. Naval store prices up slightly. Collections fair. JULY—Wholesale trade steady, up moderately from last year. Retail trade continues to improve.

23. NEW ORLEANS

MAY, 98.4 APR., 95.9 MAY 1938, 90.9
MAY—New Orleans department store sales 2% below previous May level. JUNE—Percentage retail trade increases over a year ago: New Orleans 15, Jackson 4, Meridian 5. New Orleans wholesale trade showed gain of 12% over last year. Crops progressing satisfactorily. Excess rainfall in Meridian territory dampened outlook. Production and payrolls steady with previous month and steady with June, 1938. Employment conditions about same as a year ago. Collections steady in comparison with the corresponding period last year; steady to slow in comparison with May. JULY—Production, shipments, and orders of Southern pine above June and a year ago. Department store sales about 10% below 1938.

24. TEXAS

MAY, 106.4 APR., 104.9 MAY 1938, 101.5
MAY—Percentage department store sales increases over previous May: Dallas-San Antonio 7, Fort Worth 12. JUNE—Percentage retail trade changes from previous June: Dallas +8, Fort Worth +10, Amarillo-Lubbock 0, Wichita Falls-Galveston-Austin -5, El Paso-Shreveport -10, Houston -2, Beaumont +3, Waco +9, San Antonio +2. Wholesale trade changes: Dallas +5, Houston 0, San Antonio +1, Fort Worth -3, Shreveport -10. Grain crops good in north Texas. Cotton up to a good stand. Corn crop largest in history. Oat harvest good. Payrolls and production vary in comparison with a year ago. Work clothing manufacturing up 10% from May. Oil industry slow. JULY—Retail sales up slightly from 1938 comparative.

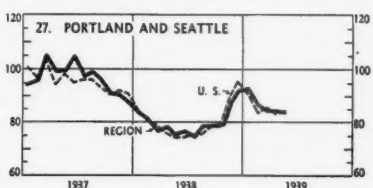
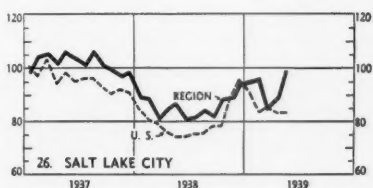


25. DENVER

MAY, 99.3 APR., 97.0 MAY 1938, 91.9
MAY—Denver department store sales up 6% from previous May level. JUNE—Percentage retail trade increases over previous June: Denver 1, Albuquerque 5. Denver wholesale trade shows gain of 2% over a year ago. Furniture, automobiles, building materials, and seasonable wearing apparel reflected largest demand. Wholesalers' stocks low. Crop yield below last year. Farm prices weak. Bean crop in need of moisture. Payrolls and production steady to above last year. Building industry more active than in May. Railroad traffic improved. Collections fair; steady with a year ago and with previous month. JULY—Sports apparel and vacation needs in fair demand. Wholesale activity seasonally quiet.

26. SALT LAKE CITY

MAY, 98.1 APR., 88.8 MAY 1938, 86.6
MAY—Salt Lake City department store sales 4% above previous May level. JUNE—No particular change in the volume of retail sales in comparison with the corresponding period of 1938. Wholesale trade also steady with the level a year ago. Sales of furs and women's apparel down 10% from last year's comparative. Sporting goods volume down 5%. Crop conditions good; farm prices low. Production below 1938 and below May; sales steady with year ago but down from previous month; employment steady; payrolls below last year and steady with May. Operations in smelting, refining, and metal mining curtailed; employment slack taken up by increased canning activity. JULY—Retail trade slightly below 1938.

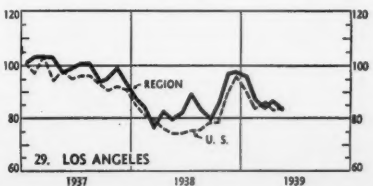
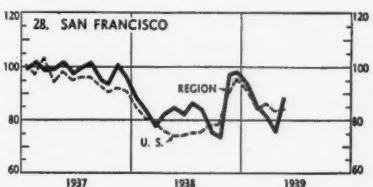


27. PORTLAND AND SEATTLE

MAY, 83.9 APR., 84.9 MAY 1938, 75.2
MAY—Percentage department store sales increases over previous May: Seattle 12, Tacoma 9, Spokane 3, Portland 6. JUNE—Percentage retail trade changes from previous June: Seattle +11, Spokane -2, Portland +1. Tacoma trade up somewhat. Wholesale trade changes: Seattle 0, Portland +2. Fruit and berry crops good to excellent; wheat crop good, other grains fair; hops poor. Prices fair to low. Payrolls and production generally above last year. Lumber industry improved; orders exceeded production for eighteenth straight week. Building activity up. Collections good to slow. JULY—Two large Tacoma lumber plants closed by strike. Lumber business about 60% of normal. Retail trade steady.

28. SAN FRANCISCO

MAY, 87.6 APR., 85.8* MAY 1938, 84.0
MAY—Percentage department store sales increases over previous May: San Francisco 2, Oakland 6. JUNE—Percentage retail trade changes from previous June: San Francisco-Oakland-Sacramento +5, Fresno -6. San Francisco wholesale trade shows gain of 3% over a year ago. Melon market active; plums slow; apricots fair. Vegetable yield normal. Payrolls and production steady to above last year. Residential building continues strong. Shipbuilding industry active. Canneries in full operation. Building materials manufacturing active. Tourist trade at Golden Gate Exposition somewhat below expectations. Collections fair to slow. JULY—Retail sales averaged 5 to 10% above 1938. * Revised.



29. LOS ANGELES

MAY, 83.6 APR., 86.5 MAY 1938, 79.8
MAY—Percentage department store sales increases over previous May: Los Angeles 2, Phoenix 10. JUNE—Percentage retail trade increases over previous June: Los Angeles 5, San Diego 9, Phoenix 0. Los Angeles wholesale trade up slightly from the year-ago level. Large citrus crop being marketed; orange prices somewhat higher than in May. Poultry prices fair; good outlook for large numbers of young turkeys. Payrolls and production generally above last year. Aircraft and motion picture activity well ahead of a year ago. Petroleum refining up. Strike in lumber yards. Collections fair. JULY—Retail trade held up fairly well over the holiday. Wholesale volume of dry goods and apparel exceeded expectations.

GOVERNOR'S ISLAND, NEW YORK HARBOR—P. L. SPERR FROM ATLAS PHOTOS



INDUSTRIAL AND COMMERCIAL FAILURES

	NUMBER OF FAILURES			CURRENT LIABILITIES *			TOTAL LIABILITIES *			DUN'S INSOLVENCY INDEX †					
	1939	1938	1937	1939	1938	1937	1939	1938	1937	UNADJUSTED			ADJUSTED ‡		
Jan. . . .	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb. . . .	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar. . . .	1,123	1,167	861	17,915	40,325	22,591	18,228	80,373	78,878	61.7	64.8	47.1	61.1	64.2	47.1
Apr. . . .	1,140	1,172	818	17,492	21,147	12,893	20,750	29,355	13,628	62.6	65.1	48.3	60.8	63.2	47.4
May	1,122	1,123	875	14,757	19,139	13,088	19,594	19,831	14,965	59.3	59.8	47.6	58.7	59.2	47.6
June	952	1,073	703	11,609	15,918	12,829	11,765	16,892	16,737	56.5	64.1	41.1	58.8	67.5	43.3
July	1,038	1,038	651	14,761	12,780	12,780	15,008	13,955	13,955	57.2	37.9	...	64.3	42.1	...
Aug.	1,015	736	...	16,382	14,950	...	17,252	19,473	19,473	53.8	39.7	...	63.3	46.7	...
Sept.	866	584	...	14,341	9,818	...	15,183	11,308	11,308	51.6	35.2	...	61.4	41.9	...
Oct.	997	815	...	13,219	14,079	...	16,960	15,381	15,381	54.7	45.2	...	59.4	49.1	...
Nov.	984	842	...	12,302	16,400	...	17,281	17,709	17,709	53.9	52.7	...	51.8	51.2	...
Dec.	875	1,009	...	36,528	27,818	...	54,736	36,963	36,963	56.7	58.0	...	56.1	58.0	...
Total	12,836	9,490	...	246,505	183,253	...	335,534	276,876	276,876	61.1	45.9

* In thousands of dollars.

† Apparent annual failures per 10,000 enterprises.

‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL and COMMERCIAL FAILURES

SEASONAL MID-YEAR DROP IN FAILURES

INDUSTRIAL and commercial failures dropped from 1,122 in May with liabilities of \$14,757,000 to 952 in June with liabilities of \$11,609,000. In June 1938 failures numbered 1,073 with liabilities of \$15,918,000. Total liabilities, to the amount of \$11,765,000, included in addition to current liabilities only a few investment mortgages. Both current and total liabilities were at the lowest figures since September 1937.

Part of the June decline from May was due to three less working days in the month. The insolvency index, which corrects for the change in the number of working days and relates failures to the number of concerns in business, dropped from 59.3 to 56.5, or 5 per cent. This decline of 5 per cent measures the June downward movement more accurately than the apparent 15 per cent drop figured from actual numbers reported above. The drop was a seasonally normal one, and the adjusted index which removes the seasonal influence changed only one-tenth of a point, from 58.7 to 58.8. The gen-

eral level of failures, as measured by the indexes, was about 12 per cent below that of a year ago.

Failures declined in June from the May levels in all of the five main industry groups except commercial service. The declines ranged from 33 per cent in wholesale trade to 13 per cent in retail trade, considering the actual numbers reported without allowing for the extra days in May. Failures in commercial service lines were more than a third again as many as in May, trucking and barber shop failures accounting for much of the increase. In the other groups the declines were well distributed, although centered in the clothing lines.

Approximately the same relationship existed between June failures and those of a year ago; only commercial service failures were more in number.

With the completion of the second quarter of the year it is possible to compare it with the second quarter of 1938 to determine in what directions the failure record is shifting. Failures as

a whole were 5 per cent lower in the quarter just ended than in the corresponding quarter a year ago. Both the manufacturing and retail trade totals were lower by 5 and 8 per cent respectively; but failures in the three smaller groups, wholesale trade, construction, and commercial service, were somewhat more numerous.

INDUSTRY GROUP	Second Quarter 1939	Second Quarter 1938	P. Ct. Change
Manufacturing	591	625	- 5
Foods	158	97	+ 63
Textiles and Clothing	133	162	- 18
Forest Products, Incl. Furn.	51	63	- 19
Iron and Steel Products	35	44	- 20
Machinery	34	24	+ 42
Remaining 7 lines	180	235	- 23
Wholesale Trade	363	337	+ 8
Farm and Food Products	140	117	+ 20
Clothing and Furnishings	30	25	+ 20
Dry Goods and Textiles	11	16	- 31
Automotive Products	13	26	- 51
Electrical Goods	17	6	+ 183
Machinery and Equipment	12	4	+ 200
Paper and Paper Products	15	8	+ 88
Balance 5 lines	120	135	- 11
Retail Trade	1,043	2,103	- 8
Foods	525	536	- 2
Apparel	391	506	- 23
Restaurants	203	160	+ 27
Automobile Dealers	47	98	- 52
Garages, Filling Stations, Acc.	107	83	+ 29
Furniture and Furnishings	149	174	- 14
Balance 5 lines	521	546	- 5
Construction	167	159	+ 5
Commercial Service	150	144	+ 4
Total	3,214	3,368	- 5

It will be seen from the accompany-

ing table that some interesting trends have developed within the main industry groups. For instance, failures among food manufacturers rose 63 per cent, a rise to which every important food line except meat and fish contributed. On the other hand, in the textile group, failures among manufacturers of both men's and women's clothing were sharply down, although knit goods and miscellaneous textile products were not greatly changed from a year ago. The only other manufacturing line to register appreciably more failures was machinery other than electrical.

In retail trade the large food group was little changed. In the apparel group, the next largest in size, all lines were down, shoes only slightly. Although failures in furniture and house-furnishings as a whole were 14 per cent lower than a year ago, radio shop failures had increased.

More detailed tables of failures by quarters are to be found in the August issue of DUN'S STATISTICAL REVIEW.

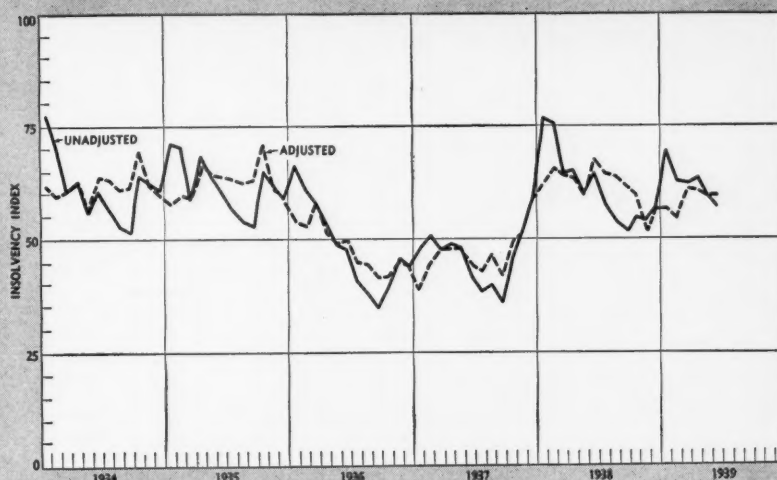
A quarterly analysis of failures by size since the beginning of 1938 is presented below. Although small failures with liabilities under \$25,000 constitute between 85 and 90 per cent of the total, the trend of the remaining 10 to 15 per cent is the more significant. This remainder is made up of concerns with substantial investment which accumulate liabilities between \$25,000 and \$100,000 and of large concerns with liabilities in excess of \$100,000.

SIZE MEASURED BY AMOUNT OF LIABILITIES

Quarter	Under \$25,000	\$25,000-\$100,000	\$100,000 and Over	Total
1938 I	3,163	446	84	3,693
II	2,894	378	96	3,368
III	2,675	305	59	2,919
IV	2,545	267	44	2,856
1939 I	2,955	337	57	3,349
II	2,837	315	62	3,214

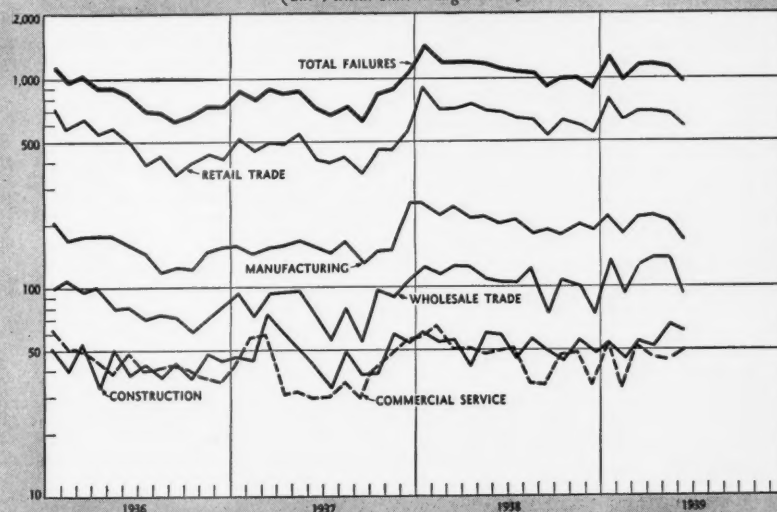
Whereas the small failures in the quarter just ended were 4 per cent lower than in the first quarter and only slightly under those in the corresponding quarter of 1938, larger failures had dropped 7 per cent from the first quarter and 17 per cent from a year ago. The very large failures, on the other

MONTHLY TREND OF THE INSOLVENCY INDEX



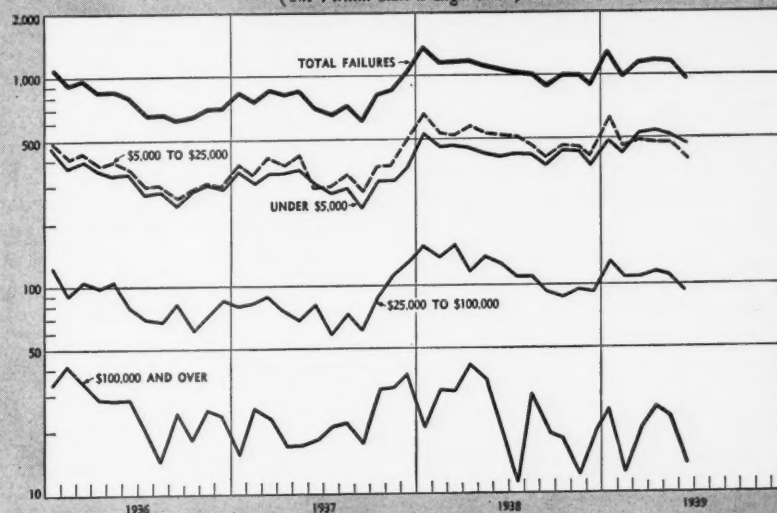
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



hand, while considerably under the number a year ago, increased from 57 in the first quarter of 1939 to 62 in the second quarter.

Of these 62 very large failures 42 were manufacturers; 10 were in food lines, 5 were breweries, 5 textile mills, 3 coal mines, and the rest miscellaneous. Of the total 62 cases, 27 sought reorganization through Chapter X of the Chandler Act, 8 sought an arrangement of unsecured debts through Chapter XI, and the rest for the most part were in straight bankruptcy.

ANALYSIS OF 62 VERY LARGE FAILURES				
INDUSTRY GROUP	Total	Chapter X	Chapter XI	Miscellaneous
Manufacturing . . .	42	21	3	19
Wholesale Trade . .	8	4	3	1
Retail Trade	7	1	1	5
Construction	3	0	1	2
Commercial Service .	2	1	0	1
Total	62	27	8	27

Geographically, failures in June were down from May very generally over the country except in the Dallas, Chicago, and St. Louis Federal Reserve Districts. The decreases ranged from 14 per cent in the New York district to 39 per cent in the Atlanta district. The following table shows the standing of the districts for the first half of the year compared with the first half of 1938.

FEDERAL RESERVE DISTRICT	Jan.-June 1939	Jan.-June 1938	Per Cent Change
St. Louis	197	285	- 31
Boston	505	680	- 26
Cleveland	459	536	- 4
New York	1,806	2,073	- 13
San Francisco	687	774	- 11
Minneapolis	125	130	- 4
Chicago	1,071	1,089	- 2
Richmond	331	318	+ 4
Atlanta	357	326	+ 10
Kansas City	344	301	+ 14
Philadelphia	490	416	+ 18
Dallas	191	133	+ 43
Total	6,563	7,061	- 7

Canadian Failures

Canadian failures numbered 83 in June with liabilities of \$514,000 compared with 89 in May with liabilities of \$822,000 and 92 in June 1938 with liabilities of \$672,000. Failures in the second quarter of the year were 18 per cent below those of the first quarter, but 14 per cent above those of the

FAILURES BY DIVISIONS OF INDUSTRY—JUNE, 1939 AND 1938

(Liabilities in thousands of dollars)

	Number			Current Liabilities		
	June 1939	May 1939	June 1938	June 1939	May 1939	June 1938
TOTAL UNITED STATES	952	1,122	1,073	11,609	14,757	15,918
MANUFACTURING (total)	166	206	198	4,468	4,893	5,939
Foods	40	56	24	1,057	1,852	1,522
Textiles	32	60	62	1,147	813	1,157
Forest Products	12	21	19	215	525	395
Paper, Printing and Publishing	12	11	16	216	407	304
Chemicals and Drugs	7	6	2	97	109	11
Fuels	5	1	8	341	100	265
Leather and Leather Products	11	5	7	199	28	94
Stone, Clay, Glass, and Products	5	8	4	79	212	152
Iron and Steel	13	10	15	313	316	196
Machinery	8	9	8	276	281	280
Transportation Equipment	4	4	6	45	44	166
All Other	17	15	27	483	206	1,397
WHOLESALE TRADE (total)	91	136	104	1,633	1,952	1,384
Farm Products, Foods, Groceries	37	51	43	632	981	541
Clothing and Furnishings	3	17	6	16	114	56
Dry Goods and Textiles	4	3	5	206	74	49
Lumber, Building Materials, Hardware	5	10	10	153	238	170
Chemicals and Drugs	4	6	3	67	24	14
Fuels	1	4	5	16	110	163
Automotive Products	3	9	9	28	50	129
Supply Houses	8	6	11	76	28	109
All Other	26	30	12	439	333	153
RETAIL TRADE (total)	585	670	665	3,849	5,878	6,520
Foods	164	172	162	636	1,120	754
Farm Supplies, General Stores	22	20	22	184	90	169
General Merchandise	30	43	30	163	532	469
Apparel	118	139	156	775	1,362	1,486
Furniture, Household Furnishings	34	54	49	320	577	672
Lumber, Building Materials, Hardware	31	30	35	297	315	261
Automotive Products	49	55	61	357	683	1,331
Restaurants	67	66	58	524	454	573
Drugs	36	49	42	290	304	388
All Other	34	42	50	303	441	417
CONSTRUCTION (total)	50	66	59	1,150	1,158	1,234
General Contractors	4	3	16	238	26	420
Carpenters and Builders	17	19	17	290	639	545
Building Sub-contractors	28	42	25	552	479	254
Other Contractors	1	2	1	70	14	15
COMMERCIAL SERVICE (total)	60	44	47	509	876	841
Cleaners and Dyers, Tailors	10	12	11	30	336	110
Haulage, Buses, Taxis, etc.	14	9	12	170	93	471
Hotels	2	1	5	35	1	56
Laundries	6	4	5	60	263	67
Undertakers	3	4	4	14	19	30
All Other	25	14	10	200	164	107

second quarter of 1938, which quarter, however, included the month of April when failures were abnormally low. The increase over last year took place very generally over the Dominion, and by industry was proportionately greatest in wholesale trade and construction.

Retail failures, which constitute the major portion of the record, were 7 per cent higher. Manufacturing failures were slightly lower.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, size of liabilities, and special quarterly figures by industries.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	June 1939	June 1938	Change P. Ct.	May 1939	Change P. Ct.
New England.....	\$5,634,786	\$4,552,916	+ 23.8	\$7,787,525	- 27.6
Middle Atlantic.....	37,032,363	29,178,127	+ 26.9	28,677,870	+ 29.1
South Atlantic.....	13,047,785	8,569,672	+ 52.3	13,020,633	+ 0.2
East Central.....	24,998,187	15,176,788	+ 64.7	19,847,771	+ 26.0
South Central.....	10,552,508	10,190,729	+ 3.4	12,442,440	- 15.2
West Central.....	9,631,151	4,599,453	+109.4	7,500,511	+ 28.4
Mountain.....	2,452,827	1,518,101	+ 61.5	2,807,001	- 12.6
Pacific.....	17,562,645	13,850,641	+ 26.8	19,404,879	- 9.5
Total U. S.....	\$120,912,252	\$87,636,427	+ 38.0	\$111,488,630	+ 8.5
New York.....	\$21,627,830	\$22,436,761	- 3.6	\$15,886,184	+ 36.1
Outside New York...	\$99,284,422	\$65,199,666	+ 52.3	\$95,602,446	+ 3.9

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January.....	23,187	21,798	27,226	927.5	871.9	1,089.0
February.....	19,711	17,584	23,720	896.0	799.2	1,078.1
March.....	24,995	22,822	29,412	925.7	845.3	1,089.3
April.....	21,798	21,667	26,086	871.9	833.4	1,003.3
May.....	22,188	20,169	23,951	853.4	806.8	958.0
June.....	23,022	23,959	25,903	885.5	921.5	996.3
July.....	21,624	26,015	26,015	865.0	865.0	1,000.6
August.....	19,716	22,260	22,260	730.2	730.2	856.2
September.....	21,733	24,076	24,076	869.3	869.3	963.0
October.....	24,011	24,668	24,668	960.4	960.4	986.7
November.....	21,637	21,796	21,796	940.7	940.7	947.6
December.....	27,697	25,805	25,805	1,065.3	1,065.3	992.5
Total.....	264,417	300,918	300,918	875.8	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	June 1939	June 1938	Change P. Ct.	May 1939
Boston.....	\$911,092	\$854,733	+ 6.6	\$900,339
Philadelphia.....	1,729,000	1,518,000	+ 13.9	1,633,000
Buffalo.....	145,649	126,097	+ 15.5	132,580
Pittsburgh.....	489,833	458,889	+ 6.7	465,181
Cleveland.....	410,077	362,951	+ 13.0	400,634
Cincinnati.....	247,220	226,355	+ 9.2	240,284
Baltimore.....	305,366	278,320	+ 9.7	285,155
Richmond.....	166,493	148,046	+ 12.5	154,180
Atlanta.....	232,515	205,600	+ 13.1	250,200
New Orleans.....	156,927	140,242	+ 11.9	160,390
Chicago.....	1,349,196	1,277,976	+ 5.6	1,283,397
Detroit.....	396,945	350,227	+ 13.3	400,566
St. Louis.....	387,056	347,867	+ 11.3	372,572
Louisville.....	143,361	132,379	+ 8.3	142,180
Minneapolis.....	298,706	263,623	+ 13.3	295,316
Kansas City.....	390,089	367,985	+ 6.0	381,422
Omaha.....	125,371	116,081	+ 8.0	129,244
Dallas.....	222,512	198,813	+ 11.9	215,497
San Francisco.....	576,839	568,728	+ 1.4	590,470
Portland, Ore.....	128,866	120,807	+ 6.7	128,360
Seattle.....	151,865	143,773	+ 5.6	147,351
Total 21 Cities.....	\$8,964,978	\$8,207,492	+ 9.2	\$8,708,318
New York.....	\$14,057,293	\$15,751,402	- 10.8	\$13,480,020
Total 22 Cities.....	\$23,022,271	\$23,958,894	- 3.9	\$22,188,338

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
July 18.....	\$2.14	\$2.46	\$2.88	\$2.76
July 11.....	2.16	2.46	2.90	2.74
July 4.....	2.17	2.41	2.90	2.76
June 27.....	2.18	2.40	2.84	2.66
June 20.....	2.18	2.40	2.81	2.65
June 13.....	2.19	2.37	2.82	2.62
June 6.....	2.21	2.36	2.83	2.60
May 30.....	2.25	2.34	2.85	2.54

High Low

1939..	\$2.34	Mar. 7	\$2.14	July 18
1938..	\$2.53	Jan. 4	\$2.34	May 10
1937..	\$3.01	Mar. 16	\$2.56	Dec. 28

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities

(1930-1932 = 100)

	July 1939	June 1939	May 1939	April 1939
1.....	*.....	107.07	104.77	103.79
2.....	†.....	106.97	105.02	†.....
3.....	*.....	104.91	*.....	105.10
4.....	*.....	†.....	105.44	103.59
5.....	104.80	106.82	105.82	103.76
6.....	104.86	106.62	106.01	103.42
7.....	104.57	106.83	†.....	*.....
8.....	*.....	106.77	105.99	*.....
9.....	†.....	106.75	106.61	†.....
10.....	103.87	*.....	106.70	103.44
11.....	103.95	†.....	107.54	103.65
12.....	103.48	106.36	107.44	103.69
13.....	103.31	106.35	107.39	103.17
14.....	103.09	106.41	†.....	103.34
15.....	*.....	106.09	106.61	103.29
16.....	†.....	106.04	106.64	†.....
17.....	102.76	*.....	106.67	103.47
18.....	102.76	†.....	107.03	103.91
19.....	103.20	105.85	106.89	104.14
20.....	102.20	105.38	106.96	104.03
21.....	102.24	105.93	†.....	104.06
22.....	*.....	105.21	106.64	103.95
23.....	†.....	105.27	106.72	†.....
24.....	101.40	*.....	107.66	103.71
25.....	†.....	†.....	107.59	103.50
26.....	105.03	108.02	103.75	103.75
27.....	105.39	107.71	103.80	103.80
28.....	105.46	†.....	104.54	104.54
29.....	105.71	107.48	104.50	104.50
30.....	104.91	*.....	†.....	†.....
31.....	107.35	†.....	†.....	†.....

† Sunday. * Markets closed.

High Low

1939..	108.02	May 26	101.40	July 24
1938..	117.06	Jan. 10	102.43	June 2
1937..	158.26	Apr. 5	114.83	Dec. 30

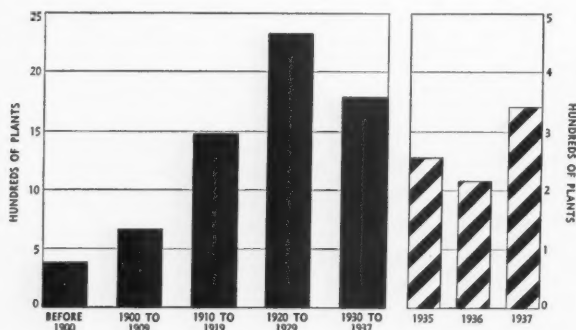
THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Vacations

MID-SUMMER is a happy time for most wage earners and salaried workers, as they anticipate their holiday with pay, but it has not always been thus. It is particularly true in the case of wage earners, for although executive and white-collar employees have long enjoyed the privilege of a "period of recuperation without loss of earnings," the granting of vacations with pay to wage workers has in most companies been a fairly recent development.

The vacation movement in industry, according to the U. S. Bureau of Labor Statistics, gained momentum after the World War. By 1930, less than 20 per cent of the

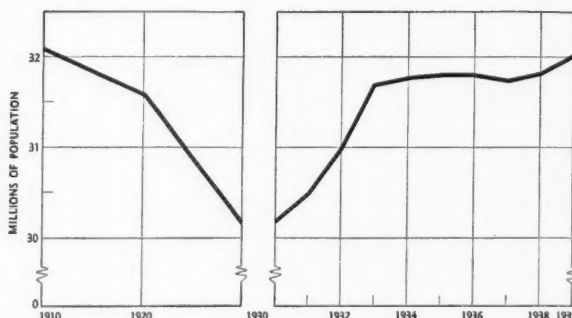


PERIOD OF ADOPTION OF VACATION PLANS IN MANUFACTURING PLANTS—U. S. Bureau of Labor Statistics—An increasing number of manufacturing plants adopted vacation plans between 1900 and 1930; the period of the 'twenties witnessed the greatest number of new plants, while the year 1937 saw the largest number of any year since 1935.

salaried workers covered by the survey were employed in plants which did not give vacations with pay, and by 1937, only about 5 per cent were so unfortunate. An extension of paid-vacation plans for wage earners likewise occurred during the years 1920-1929. A temporary setback was encountered during the Great Depression, when some plans were temporarily discontinued, but between 1934 and 1937 the number of plants and wage earners working under paid-vacation plans increased three-fold. By 1937, more than one-fourth of the 20,728 manufacturing plants surveyed had a paid-vacation policy for wage earners, and the vacation-giving plants employed 44 per cent of the workers covered in the survey.

Farm Population

AT THE BEGINNING of this year, the farm population of the United States was close to the all-time high level, according to the Bureau of Agricultural Economics. On January 1, 1939, the country's farm residents numbered 32,059,000,



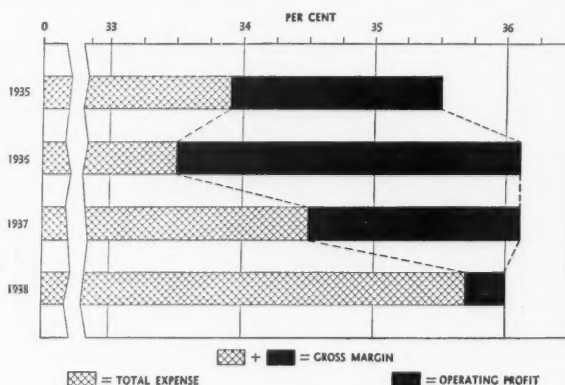
FARM POPULATION—1910-1939—U. S. Department of Agriculture—The farm population in 1939 had increased from the low level of 1930 to a level very close to the all-time peak established in the year 1910.

compared with 31,819,000 on January 1, 1938, and with the largest total on record—32,077,000—in 1910. The loss of about 2,000,000 of the farm population between 1910 and 1927 had been almost completely regained by 1939.

About 1,000,000 persons moved off farms last year, while 800,000 moved from towns and cities to farms. The movement from farms to other farms, the Bureau pointed out, was larger than the movement from farms to towns and cities. A net migration from the farms was more than balanced by an excess of births over deaths.

Department Store Profits

THE YEAR 1938 witnessed a substantial decline in the operating profits of department stores, according to the Controllers' Congress of the National Retail Dry Goods Association. Compared with a profit average of 1.6 per



TYPICAL DEPARTMENT STORE AVERAGES IN PER CENT TO SALES—1935-1938—National Retail Dry Goods Association—In department and specialty stores with annual sales of over \$500,000, an improved gross margin was fairly well maintained between 1936 and 1938, while total expense took up a progressively larger proportion of the sales dollar.

TWENTY-FIVE LEADING INDUSTRIES—1937—U. S. Bureau of the Census—Ranked according to value of products, the lengths of the adjoining bars give interesting comparisons between value of products and number of wage earners in these twenty-five important industries of the United States.

cent in 1935 and 1937, and 2.6 per cent in 1936, the 1938 figure was considerably lower at 0.3 per cent.

Figures on gross margin and total expense revealed that merchandising efficiency was maintained during the period, the gross margin declining only 0.1 point from 36.1 per cent of sales in 1937 to 36.0 per cent in 1938, but that operating expenses increased. The rise in administrative costs from 6.8 per cent to 7.7 per cent, in part reflecting the higher Social Security taxes, accounted for a considerable bit of the increase in total expense, the Association pointed out.

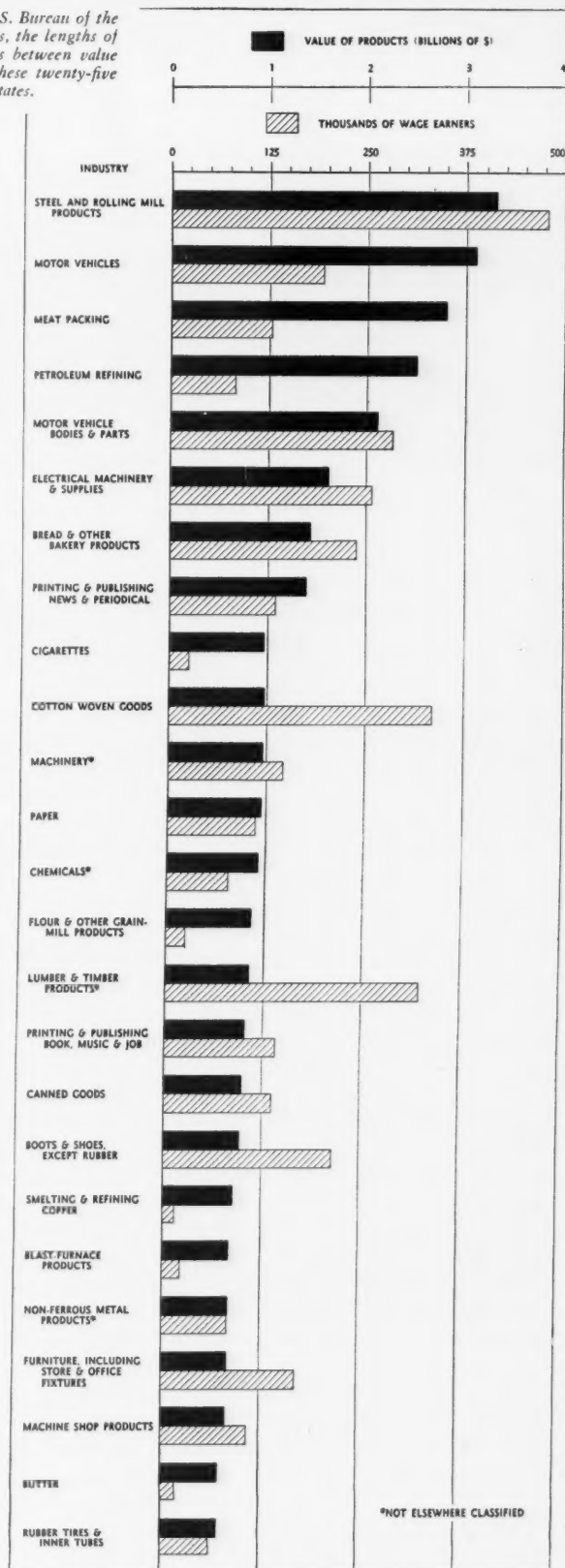
Of particular interest were the variations among the different departments in 1938. The greatest loss, 15.8 per cent, was sustained in the pattern department, while the greatest profit, 10.0 per cent, was made on sales of corsets and brassieres. Both women's and misses' dresses and men's clothing departments showed losses of about 4 per cent, whereas hosiery sales made a net return of about 7 per cent and ribbons one of about 8 per cent.

Relative Importance of Industries

MORE THAN 150 INDUSTRIES were ranked according to the number of wage earners employed, the cost of materials, the value of products, and the value added by manufacture in data recently released by the U. S. Bureau of the Census from the Census of Manufactures: 1937. Steel works and rolling mill products ranked first in all classifications except cost of materials, where they took fourth place. Manufacturing of motor vehicles, not including motorcycles, ranked first in cost of materials, second in value of products, fifth in value added by manufacture, and eighth in number of wage earners.

The value of bread and other bakery products produced in 17,193 establishments (the largest number occupied by any one industry) was \$1,426,163,000, ranking seventh among all the industries. Steel and rolling mills, on the other hand, produced products to a value of \$3,330,491,000 in only 410 plants.

The figures interestingly emphasize the differences in ranking of industries as to value of products and as to number of wage earners. Pottery, including porcelain ware, ranked 57th in wage earners and 125th in value of products. Smelting and refining of copper ranked 125th in wage earners and 19th in value of products. Of 158 industries which employed more than 10,000 wage earners, tobacco (chewing and smoking) and snuff had the fewest workers, but the value of the tobacco products was only 95th on the relative industrial scale.



HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS



AIR BOAT—Trans-Atlantic surveys south of Pan-American's route are being conducted by American Export Air Lines, subsidiary of a shipping line, for Fall mail service.

Caution—Rarely does a manufacturers' association say the trade's newest product is getting too much favorable publicity. In the end days of this June, the Board of Directors of the Radio Manufacturers' Association did this, going on record publicly as opposed to the creation of false hopes for television.

Scanning their new baby through the minimizing end of the spy glass, they saw television at present as limited within a 50-mile radius of the Empire State building, and to even smaller areas in a few other cities in the near future.

Television, they said, has suffered from over-statement, and its inauguration in New York may arouse false and ungrounded hopes in the minds of people throughout the country. Over 90 per cent of the geographical area of the United States will not be served for some time to come.

Television must be considered as a supplemental service to radio broadcasting. "It will not render the modern radio receiving set obsolete any more than the airplane renders the modern auto obsolete."

One reason for this caution is understandable. Folks who vainly await television sets, defer buying current radio equipment.

Selling—One of our reporters got a letter the other day from the Eberhard Faber Pencil Company, Brooklyn, N. Y. It answered a query about "Noblot," a mechanical pencil with

lead which writes as permanently as ink. The letter was signed in pencil, but when the black tones were erased, a light blue ink effect remained—evidently "Noblot."

A former salesman, the reporter says this is one of the rare times he has encountered a manufacturer, publisher, or purchasing agent who demonstrated use of his company's product when either buying someone else's or answering an inquiry which was not a sales lead.

Electric bills—In Prosser, Wash., customers of the Benton Rural Electric Association read their own meters, figure their own bills, mail meter reading and payment together.

Before this an agent made the rounds, from two to 60 miles, read meters, and sent bills. The cost was about 30 cents each. Farmers paid when they got around to dropping in to town.

Now monthly collections cost slightly over 10 cents per member. This includes money order fee, which is deducted from the bill, postage reply envelopes, and duplicated instructions. During its early operation, the plan has improved collections 50 per cent.

Monthly electric bills are filled out by the utility staff, except for current readings. Each bill form has four circles, numbered to correspond with electric meter clocks. On these the user draws arrows, showing where the pointers are on his meter.

He enters his kilowatt-hour reading and subtracts last month's, already filled

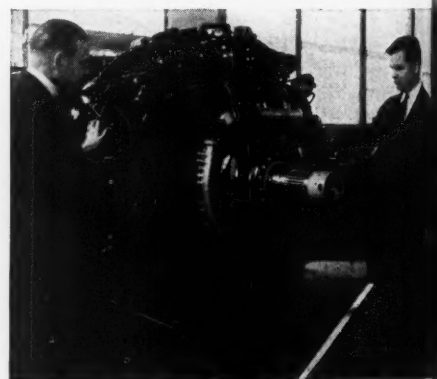
in. After a huddle with a table of charges, he knows what he owes. A money order from the rural postman finishes the matter quickly.

When all meter readings come in, Benton Rural Electric can check the total against its total output.

Shoes—Since the double header in World's Fairs opened, twin Meccas for what O. Henry fondly would have called "The American Rubberneck," it has become evident that the feet of today can't keep pace with the World of Tomorrow.

This problem was considered by the Florsheim Shoe Company, Chicago, Ill., and there is now available "The Shoe of Tomorrow." Cardinal virtue of this product is that every pair stretches, *i.e.*, swells luxuriously, to accommodate the prisoners within.

Tomorrow's shoe is cut from buckskin, which stretches. Backing up the



CLOUD THRASHER—World's largest, most powerful air-cooled airplane engine, this new 18-cylinder Wright Duplex-Cyclone motor powers a Consolidated Aircraft flying boat which holds 57 persons and can cruise 10,000 miles.

buckskin is a woven Lastex lining. This pulls the leather back to its original shape while a wearer, presumably, is soaking his pedals in warm water.

Saw Scene—If you will visualize a one-room factory covering five acres, in which are four big drop hammers, a precision-testing engineering laboratory, an office force, and eight self-con-

NATURAL

GAS

Ready Fuel for a Growing Industrial Empire

● In the Gulf South, Natural Gas fuel is always at the valve, ready for use. Flexible, economical and dependable, Natural Gas provides home and industry with energy in one of the most practical forms the world knows.

The Gulf South offers unusual opportunities for trade and industry. Raw materials abound. Mexico, Central and South America multiply nearby markets. Rail, water, motor and air transport lead to world trade. Weather is mild the year 'round. Land is readily available. Schools are numerous and good. Intelligent, reliable white labor is at hand. Taxes are low—ten years' remission in certain localities!

Industry is decentralizing southward to a friendlier atmosphere. Move to the Gulf South, where you are wanted and appreciated by your neighbors!

For information on GULF SOUTH opportunities write to
INDUSTRIAL DEVELOPMENT DEPARTMENT

**UNITED GAS
PIPE LINE COMPANY**

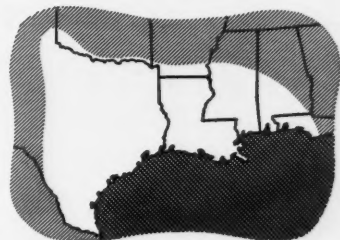
FOR TEXAS, *Mail received at:* Beaumont, Beeville, Dallas, Fort Worth, Houston, Longview, San Antonio and Wichita Falls. FOR LOUISIANA, *Mail received at:* Baton Rouge, Lake Charles, Monroe and Shreveport. FOR MISSISSIPPI, FLORIDA and ALABAMA, *Mail received at:* Jackson, Mississippi.

ALL INQUIRIES CONSIDERED CONFIDENTIAL

Copyright, 1939, United Gas Pipe Line Co.



THE *Gulf*
SOUTH



Invites
Industry



tained production lines using grinding wheels, anvils, and heat-treating furnaces, you will have the scene at the Simonds Saw & Steel Company's new plant, Fitchburg, Mass.

Combining operations formerly divided among three plants covering 17½ acres, the factory puts line foremen in charge of production. They keep finished goods in open bins, eliminate all production records except entries on home-made forms pasted by the bins.

Walls of the Fitchburg plant are entirely of brick, without windows. Fluorescent tubes spray cold light from all angles, with no shadows. Sparks and flying metal from the grinding and cutting machinery are sucked out by dust removal units. Temperature around 70 heat-treating furnaces is moderated by "man cooling" units. Accoustical block walls and a cork ceiling muffle 90 per cent of the machinery sounds.

Simonds Saw & Steel Company operates the new plant in two eight-hour

shifts, five days a week. Thus machines give 80-hour-a-week service, doubling their wear before obsolescence can set in. The Austin Company, Cleveland, Ohio, designed and built the five-acre factory.



GLASS EYE—Helping film fans to distort the facts, Bell & Howell, Chicago, Ill., has a wide-angle lens for 8 mm. movie cameras, permitting closer shots.

Store sites—What constitutes good company for a clothing store, or any one of half a dozen other outlets, is the subject of a brown covered monograph on retail store site selection, issued by the University of Michigan, Ann Arbor.

A men's apparel store, the study

shows, has an affinity for restaurants, jewelry, furniture, shoe stores, and theaters. Other store types studied include department stores, furniture, shoe, jewelry, flower shops, and theaters. Each has its favorite neighbors, such as the furniture store, which prefers restaurants. A lonely fellow, the furniture man avoids bustling main thoroughfares to rub shoulders with a competitor or two on a side street, and a fur store nearby.

The basic idea of the Michigan study is that stores tend to concentrate on the same block with other outlets whose products are purchased when the buyer is in a similar frame of mind. The main buying areas in 24 large cities were considered.

Management—Last month on both sides of the Atlantic leading business men interested in management were jotting down an appointment in their engagement books for 1941.

"Be in Stockholm, Sweden, last week in July, 1941, to attend sessions of the Eighth International Management Congress."

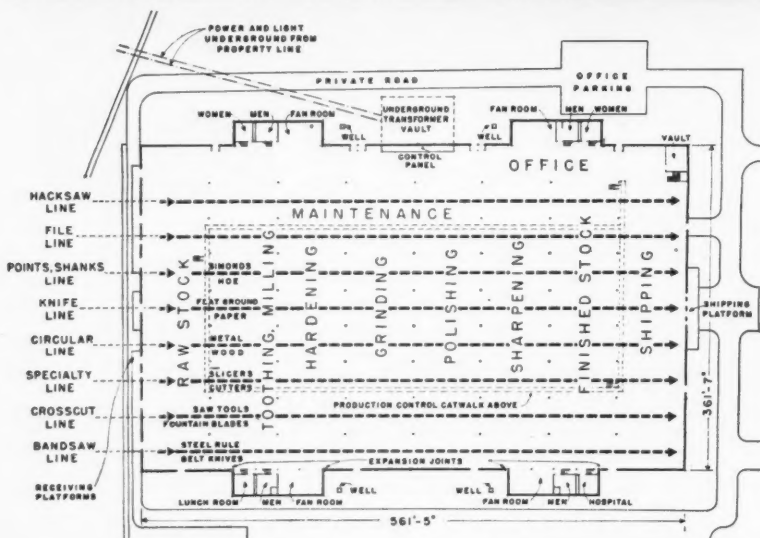
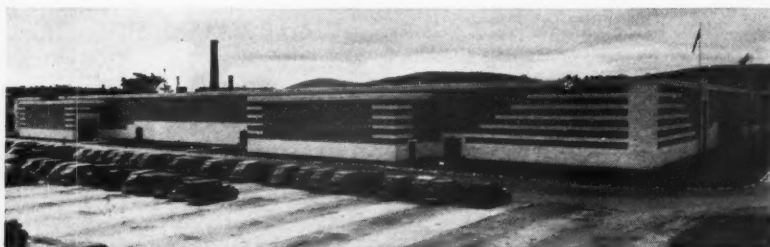
Only once in three years does an International Management Congress convene. To it journey the world's first magnitude business men, to concentrate for a week on difficult problems.

Host for the Seventh International Congress was Washington, D. C., (DUN'S REVIEW, September, 1938) with Stockholm set for the next. In Paris late this Spring the International Committee of Scientific Management, which manages it, met unpublicized, set the end-week in July, '41, for the Eighth.

Sweets—That mathematical fiction, Average U. S. Citizen, ate about as much candy in 1938, when he was poorer, as in 1937. Prices were down, so it cost him less, and production stayed about the same.

Wholesalers, for the first time since 1931, handled a decreased proportion of all candy distributed. Their 1.7 per cent sales loss was split up between retailers (chiefly chains), taking 1.4, and direct to the consumer, .3 per cent. So says the U. S. Bureau of Foreign and Domestic Commerce in a booklet, "Confectionery Production and Distribution, 1938."

FULL—Simonds Saw & Steel Co. plant at Fitchburg, Mass., packs eight production lines into one five-acre room.



Sales of chocolate-covered candy bars melted in 1938, dropping 24,000,000 pounds. This was more than the total decrease for all candy sold, which was 21,000,000 pounds.

Friend citizen last year trimmed on his consumption of plain and fancy package candy, chocolate bars, and penny goods. (Although penny chocolate bars reversed this and sold 5 per cent better.)

Every time friend Av. Citizen or his wife regretted these gastronomic economies consolation must have demanded a bag of bulk candies, because in the end the country still ate about sixteen pounds per mouth, same as in 1937.

Almanac—Recipe for *The Old Farmer's Almanac*, industrial papers copy: If you hang a piece of steel or cast iron pipe inside a steel water tank, and pass a low voltage, direct current through it, the tank will not corrode. Existing rust or corrosion disappears.

This was reported to Water Works men during their annual convention in June by a Dayton, Ohio, official, who has been experimenting with the method for a year. What happens is a form of electroplating. The pipe acts as an anode, and slowly deposits a film of metal on the sides of the tank.

In one case, it was reported, paint used inside the tank gave the water a bad taste. The electroplating process was tried. When the tank was inspected all sign of the paint had disappeared, and with it went the offensive taste.

The voltage applied depends on size of the tank and on the chemicals in the water. The process is new as applied to water tanks, but is already used to avoid rust in underground pipe lines, and, with zinc plates, in boilers.

Motion study—Proctor and Gamble Company's plant in Ivorydale, Ohio, appropriately enough for a soap manufacturer, has been applying motion-study techniques to the subject of factory clean-up. The result is reported in the *University of Iowa Extension Bulletin* for April 15.

Some of the items covered include the advantage of head mops, which lay closer to the floor, over ferrule mops, and the fact that the clean-up man does best if he stands at a right angle to the

THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York

Condensed Statement of Condition as of June 30, 1939

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers.....	\$ 824,543,860.39
Gold Abroad or in Transit.....	1,732,922.74
United States Government Obligations (Direct or Fully Guaranteed).....	626,450,839.47
Obligations of Other Federal Agencies.....	56,106,026.61
State and Municipal Securities.....	80,524,734.46
Other Securities.....	76,084,944.00
Loans, Discounts and Bankers' Acceptances.....	488,144,877.68
Real Estate Loans and Securities.....	8,798,219.46
Customers' Liability for Acceptances.....	12,472,688.93
Stock in Federal Reserve Bank.....	3,735,000.00
Ownership of International Banking Corporation (Including Paris Office).....	8,000,000.00
Bank Premises.....	44,705,142.35
Other Real Estate.....	656,100.68
Other Assets.....	818,434.39
Total.....	\$2,232,773,791.16

LIABILITIES

Deposits.....	\$2,062,823,358.98
Liability on Acceptances and Bills....	\$32,822,478.75
Less: Own Acceptances in Portfolio..	15,796,830.94
	17,025,647.81
Items in Transit with Branches.....	1,856,785.92
Reserves for:	
Unearned Discount and Other Unearned Income...	4,000,616.11
Interest, Taxes, Other Accrued Expenses, etc.....	5,797,196.00
Dividend.....	3,100,000.00
Capital.....	\$77,500,000.00
Surplus.....	47,000,000.00
Undivided Profits.....	13,670,186.34
	138,170,186.34
Total.....	\$2,232,773,791.16

Figures of Foreign Branches are as of June 24, 1939.

\$57,860,537.72 of United States Government Obligations and \$25,611,710.69 of other securities are deposited to secure \$58,647,977.05 of Public and Trust Deposits and for other purposes required by law.

(Member Federal Deposit Insurance Corporation)

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

*Statement of Condition,
June 30, 1939*

RESOURCES

CASH AND DUE FROM BANKS	\$1,208,137,695.47
BULLION ABROAD AND IN TRANSIT	6,841,148.65
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	835,044,606.29
STATE AND MUNICIPAL SECURITIES	117,595,990.20
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	155,648,757.85
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	575,427,173.17
BANKING HOUSES	33,857,363.26
OTHER REAL ESTATE	8,391,925.40
MORTGAGES	10,643,688.51
CUSTOMERS' ACCEPTANCE LIABILITY . . .	16,956,091.56
OTHER ASSETS	8,874,680.74
	<u>\$2,983,435,321.10</u>

LIABILITIES

CAPITAL FUNDS:

CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	30,819,439.57
	<u>\$ 231,359,439.57</u>

DIVIDEND PAYABLE AUGUST 1, 1939 . . *	5,180,000.00
RESERVE FOR CONTINGENCIES	16,030,956.02
RESERVE FOR TAXES, INTEREST, ETC. . .	2,037,784.60
DEPOSITS	2,696,486,353.65
ACCEPTANCES OUTSTANDING	18,446,987.22
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	6,838,784.97
OTHER LIABILITIES	7,055,015.07
	<u>\$2,983,435,321.10</u>

United States Government and other securities carried at
\$95,776,758.60 are pledged to secure public and trust de-
posits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

direction of his stroke. He gets through 32 per cent more quickly if he plans direction of his strokes. Non-skid sandals increase his efficiency 5 per cent.

Proofs—Printing identical words and pictures on both sides of a sheet of cellophane or glassine is the duty of a special proof press being introduced by Vandercook & Sons, Chicago, Ill. Every letter and each engraved dot in halftone cuts falls exactly on its twin above or below.

Use of cellophane proofs in many cases eliminates the need for a camera in lithography. The transparency acts as a photographic positive. Naturally, to obtain a printed proof it is necessary to have type and cuts, which eliminates the use of transparencies for type-written copy.

Although a machine for transparent proofs, printing front and back, is new to the trade, there have been experiments with the idea in the past, and this particular method has, for 20 years, been the closely guarded secret of a Chicago printer, after whom it is called "The Mosen Process."

Paper—Toward the end of last May a paper plant burned down in France. It made cigarette paper and, according to a United Press dispatch from Paris, supplied as high as one-fifth of this tissue exported to the United States.

American cigarettes are dressed almost exclusively in European paper, but imports total only around \$25,000 a year. American paper makers for the most part don't bother with cigarette tissue. In the 1935 U. S. Census of Manufactures it's lumped with carbon paper and condenser tissue.

Cigarette tissue is made from clean linen, (called chiffon in France). Linen, of course, is woven from flax, an unpopular crop with American farmers because it must be harvested by hand. Flax stems are so tough they slide off the knives of wheat harvesters.

Cigarette tissue is rated on how fast and evenly it burns. Virginia tobacco takes a "full combustible" paper, slow burning. Blended brands require "combustible," and Turkish or Oriental cigarettes are rolled in quick burning "non-combustible" paper.

How fast a tissue burns depends not on its thinness, but on its porosity. Fifty-five per cent of the area is air.

BUSINESS BOOKS

STYLED by the author, Dr. Horace Secrist, Professor of Economics and Statistics, Northwestern University, as an autopsy and diagnosis of conditions attending the life and death of national banking institutions, "National Bank Failures and Non-Failures" (Principia Press, 309 pp., \$4.50), is an autopsy of "dead" national banks and a diagnosis of conditions which precede "death" or company survival.

Dr. Secrist bases his study on an analysis of balance sheets for 741 national banks in receivership during the period from 1925 to 1932, and of 111 national banks which did not fail in the period from 1921 to 1932.

From these balance sheets the book traces four ratios: total loans and discounts to deposits, total deposits to total resources, total capital funds to total deposits, and total capital funds to total liabilities.

In brief the conclusions reached are that relationships which are found to hold true, expressed in terms of the ratios established, appear to be clear for conditions in the past. They may be significant for judgment of what is likely to appear in the future.

HOW sales executives of 120 companies allot their time for management activities, and what trends are indicated in continuing functions of management are the subjects of a 64-page pamphlet published by the Policyholders Service Bureau of the Metropolitan Life Insurance Company. Planned to help in studying sales functions of a company, the material presents data from more than 30 lines on "Functions of the Sales Executive."

Contributors to the study are executives of 120 manufacturing companies of varying size. About half make consumer goods and the rest products used in commerce or industry. Their sales staffs range from five persons to more than 10,000. In the group are 45 companies with assets over \$10,000,000; 40 in the one to ten million dollar class; 35 with assets of less than \$1,000,000.

Introductory pages of the pamphlet consider some recent trends in manage-

GOOD BUSINESS NEWS

**Financing Cost Easily
Offset By Savings**

we are able to take advantage of discounts offered us by suppliers, and cut down our purchasing costs . . . The cost of your service is very nominal and can be absorbed easily by the saving obtained."

CALIFORNIA

After using open account financing for four months, this client writes: "We are very much pleased. By discounting our receivables

DELAWARE

This concern says: "Your service is dependable. We receive our checks on just the days that we need them. The dispatch of our receivables has enabled us to get our money in this manner instead of from the banks. We do not have any bank loans at all. We depend entirely upon your service."

**OPEN ACCOUNT FINANCING
SUFFICIENT—NO BANK LOANS**

**First Quarter Results
Show Increased Volume**

the volume we have been able to transact has increased considerably, due in no small degree to your very efficient handling of our invoices . . . We were somewhat dubious, but do not hesitate to say now that we are thoroughly sold on this form of financing."

OREGON

Sceptical at first, of the benefits, this client decided to try our service. Here is the first report: "Checking results for the first quarter of 1939 we find that the

★ ★ ★ ★

Good business news comes to us from concerns we serve in every section of the country. Freedom from red tape; no maturing loans to face; double and triple the sales volume without additional capital; no interference with their management . . . these are some of the advantages you too can enjoy through "NON-NOTIFICATION" OPEN ACCOUNT FINANCING. Write Dept. DR for interesting and informative story of "CAPITAL AT WORK". No obligation.

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$65,000,000

ment in the sales field. These were observed by contrasting Metropolitan's findings with a previous study.

Included in these trends, the booklet points out, are more research for facts; better synchronization of sales activities; more common use of selective selling; increased use of sales budgets, cost studies, quotas, and other planned sales control devices. There is also greater specialization in different phases of sales department activities; division between planning and executing sales management; and increased

delegation of authority to district sales managers.

The pamphlet groups sales management functions into five major classifications, related to program, product, market, organization, and business development. It lists six types of sales executives and gives their respective duties.

The time of 60 sales executives is broken down into actual hours devoted to eight operating and planning functions. It is interesting to note here that an average of 14 per cent of this time

was devoted to making calls with field men. Executives of the largest companies showed the highest figure for field calls.

Directing sales organizations took, on an average, 28 per cent of the executive's time; calling with field men was second, with 14 per cent; and sales and research planning was third, taking 13 per cent of time.

Other material in the booklet includes classification of sales organization structures in five types, and operating charts for actual companies.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING IN FUTURE ISSUES

COCKNEYISMS of business English, the subject of "Words and the Man of Business," by Arthur H. Little (pages 19-21) is material of importance both for its author's comments on correspondence and on managers' annual reports. Don't be misled by the preliminary chuckle, Mr. Little says some strong things further on.

With regard to the criticism on how annual reports are worded: You could probably also say a number of things to justify a proper use of the impersonal type of report. And, on the matter of correspondence, we have read in *Printer's Ink*, of which Mr. Little is a contributing editor, of one letter writer who strains so hard to get away from "preliminary tootling" that his mass mailings sometimes omit both salutation and courtesy closing.

On the opposite end of the see-saw there's many a venerable and respected individual whose dictation rattles "Yrs. of the 8th inst. on hand" like birdshot in a tin pail; so take your choice.

In logging camps, which produce the subject of our lumber article on pages 22-26, business English is a different matter, as author W. H. Berry could tell you. He speaks casually of cold decks and high line operations, carried on in a land where archers and bulldozers ride cats.

Much to our reluctance, these terms came out of the lumber article. Explaining them would require a separate feature in itself. A very brief description, however, is that a high line is a

wire on which logs are carried to the cold deck; which is a piling place, probably at the water's edge, where they wait to be floated or towed down to the sawmill. A cat is a tractor (Caterpillar). An archer is a trailer on which the ends of logs ride, lashed to an up-pointing girder that raises them off the ground. A bulldozer is a special tractor nose piece, fulfilling the duties of a cow catcher by pushing logs and debris ahead of the engine.

The lumber story, incidentally, was originally intended only for employees of DUN & BRADSTREET, INC., having been submitted modestly to the company house magazine, *Dun's Bulletin*.

Without wishing to incite any practical jokes on Mr. Berry, we suspect he'd jump as cat-like as any logger if someone shouted "Timberrr!" anywhere in earshot of the company's Seattle office.

For next month's magazine, or possibly the October issue, there's an article due on Mid-Year Inventories. It will be part of the DUN & BRADSTREET Survey of Business Trends. The Research and Statistical Department has a pile of questionnaires already on this, and chortles that, if replies keep coming in at their present speed, the article and tables ought to be ready sooner than anyone had expected.

As faithful readers of this department and the statements giving credit for articles may have surmised, the Mid-Year Inventory Survey follows objectives laid down by Dr. Willard L. Thorp, Director of Economic Research.

Walter Mitchell, Jr., has charge of the work as Director of Surveys; and returns are edited and figures compiled under the direction of Fernley G. Fawcett.

In December, 1937, when DUN'S REVIEW published the first "Business Quiz," two readers reported marks of 100 per cent. Eighteen months have rolled into the history books since that momentous achievement. Although quizzes II to IV were published during this period, there was no other 100 per cent record until Quiz V was solved.

In 1937 the charter recipients of DUN'S REVIEW Certificates of Distinction, granted in due course for this peculiar kind of perfection, were C. Robert Cross, of Washington, and S. W. Amitin, of Baltimore. Because two more have attained scores of 100 on "Business Quiz V" (DUN'S REVIEW, June, 1939), these readers can now be ranked with the great of the past. Winners number three and four, duly certified, are Robert R. Matzke, of Philadelphia, and Frederick R. Fien, of Cleveland.

Not so perfect were the authors of that "Business Quiz V," as numerous telephone calls and letters have made quite clear. Question 20 blew up a storm when it said:

"If a retailer buys a radio for \$10 and sells it for \$15, his mark-up is:

- ☐ A. 33 per cent.
- ☐ B. 50 per cent.
- ☐ C. 67 per cent.
- ☐ D. Not very good.

Said our answer column, "A" is correct." Said our readers, "How about 'B'?"

Oddly enough, more readers justified computing mark-up as a percentage of cost on the basis of grammar than did so on the grounds of usage.

"A mark-up," they maintained, "has got to be marked up from something. Therefore, that something—cost—is what mark-up is figured on. (As grammarians, they should be especially interested in Arthur H. Little's article).

Usage seems to say it is correct to compute mark-up as a percentage of either cost or selling price. And so the question should not have been included. If there is any trend from one to the other, perhaps it is in the direction of the method which gives the lower figure (based on selling prices). That is recommended by some association and academic authorities and is used in some of the large department stores.

The other school of thought would reserve the term "mark-up" for the percentage based on cost, and use the term "gross margin" for the percentage based on selling price. That has been the practice of DUN & BRADSTREET, INC., and has been emphasized in the surveys of retail costs. It will be the practice of DUN's REVIEW hereafter.

If you wish to refigure your grade on "Business Quiz V," you may count question 20 correct for either answer, "A" or "B." (Stage whisper: We're sorry we brought the matter up.)

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

SUBSCRIPTION: \$4 a year; \$10 for three years; 35 cents a copy. Outside U. S. \$5 a year.

Willard L. Thorp, Editor; Norman C. Firth, Managing Editor and Business Manager; Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, Associate Editors; J. A. D'Andrea, Statistician; Clarence Switzer, Art Director; H. C. Daych, Advertising Manager.

DUN's REVIEW goes to each company using the services of DUN & BRADSTREET, INC. Service subscribers may obtain additional subscriptions to the magazine for executives, branches, and so on, at special rates. . . . Published monthly. August, 1939, Vol. 47, No. 2136. . . . The contents of this magazine are indexed in the Industrial Arts Index. . . . Member C.C.A. . . . Copyright 1939, DUN & BRADSTREET, INC. Printed in U. S. A.

More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN's REVIEW (see pages 36-39)—are published monthly in DUN's STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.



LIABILITY REBOUNDS!

Most property owners and contractors know they may be liable for bodily injuries or damage to property of others occurring on their premises or by reason of their operations.

What may not be realized is that liability supposedly delegated or "passed off" to sub-contractors doing work that is sublet, often rebounds like a boomerang upon the unsuspecting owner or contractor.

Many court decisions have held owner or

contractor liable even though not actively negligent. They, as well as sub-contractor, may be named defendants in suits involving claims for bodily injury or property damage.

The great single safeguard against loss resulting from such suits is OWNERS' or CONTRACTORS' PROTECTIVE LIABILITY AND PROPERTY DAMAGE INSURANCE. This protection is written in policy form by both American Surety and New York Casualty Companies.

**PREVENT-
DO NOT
LAMENT
LOSS!**

**AMERICAN SURETY
COMPANY
NEW YORK CASUALTY
COMPANY**
HOME OFFICES: NEW YORK
Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

WHAT IS THE MOST IMPORTANT NUT ON A LOCOMOTIVE?

An eminent Engineer, addressing a group of authorities, asked: "what is the most important nut on a locomotive?"

As many "nuts" were designated as there were volunteer answers.

Finally, answering his own question, the Engineer said: "The most important nut on a locomotive is the loose nut."

The same is true of business. The most important department or activity in a business is the "loose nut."

As chief "trouble shooters," top executives concentrate upon the "loose nuts" of business. They may involve anything from paper clips to new factories. At such times nothing is unimportant if significantly presented. And it is at such times that Chief Executives make decisions affecting your products or services, without your salesmen having an opportunity to get to them.

That is why it is important for you to reach executives regularly with messages about the improvement of your products and the advances in your services. The advertising pages of DUN's REVIEW provide an excellent vehicle for such messages.



EWING GALLOWAY

VACATIONS ARE IMPORTANT!

Willard L. Thorp.
E D I T O R

